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### Tourism and the region

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# Tourism and the Region

A Comparison of Developmental Perspectives

Nara Huttasin





# **Tourism and the Region**

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Perspectives

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# **Tourism and the Region**

## **A Comparison of Developmental Perspectives**

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Nara Huttasin

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Dedicated to my parents an teachers.





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# Chapter 1 Introduction

This dissertation explores perspectives on the use of tourism as a regional development scheme. In this first chapter we formulate the problem by providing an overview of the possible role of tourism as an instrument for regional development in developing countries, in this case Thailand. This is followed by a discussion of the ambivalent relation between tourism and regional development, on the one hand possibly leading to economic advances, on the other to a possible change in socio-economic and ecological relations. This leads to a consideration of divergent developmental perspectives on tourism, and through that to a situated comparison of the workings of different developmental assessment tools.

## 1.1 Poverty and developing countries

The World Bank (2008) provides data on the percentage of the world population living on less than US\$2 per day. Most reside in developing countries particularly Sub-Saharan Africa and Asia (see Table 1.1). Classified by the World Bank, developing countries are those having a per capita Gross National Income (GNI) of less than US\$12,475<sup>1</sup>. Generally, developing countries have some common characteristics that include low standards of living, an underdeveloped industrial base with low levels of productivity, high population growth rates (dependency burden), a dependence on agricultural production and primary product exports, a dominance of the informal economy (lack of banking/information system), high unemployment rates, and an economic and political vulnerability in their international relations (Blink & Dorton, 2007: 314 - 320). Because of these factors, developing countries have a central focus on forms of socio-economic development through, for instance, constructing roads, in order to stimulate the supply of goods and services (food, clothes, housing, medicine, educational services), aimed at elevating citizens' standard of living. These strategies to make goods and services affordable may also include an increase in income; access to capital, education, and welfare; and freedom to participate in economic and social activities. All of these strategies relate to socio-economic forms of development.

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<sup>1</sup> <http://data.worldbank.org/about/country-classifications>, retrieved 20 January, 2013

**Table 1.1 Poverty headcount ratio in 2008**

Region	2008 Purchasing power parity (% of population)	
	US\$1.25 per day	US\$2 per day
East Asia and Pacific	14.3	33.2
Europe and Central Asia	0.5	2.2
Latin America and the Caribbean	6.5	12.4
Middle East and North Africa	2.7	13.9
South Asia	36	70.9
Sub-Saharan Africa	47.5	69.2

Source: <http://data.worldbank.org/topic/poverty>, retrieved 19 January 2013

## 1.2 Tourism as an instrument for poverty alleviation

Among others, tourism is regarded as one of the most powerful drivers for world economic development, creating wealth and generating direct/indirect employment and foreign exchange. World Tourism Organization (WTO) declaring that although the global economy remains fragile characterized by a stalled economic recovery, reported that the growth of international tourism in 2011 was over 4%, contributing to 5% of the world's GDP. Therefore, even in the coming difficult years, tourism is still regarded as a good engine for economic development. This is because part of foreign exchange earnings can be distributed to different kinds of organizations such as tourism firms and their interlinked businesses. The WTO<sup>2</sup> names four important attributes of tourism that help reduce poverty in developing countries. First, there are promising touristic products (climate, nature and biodiversity, and cultural heritage) in developing countries. Second, tourism makes it possible for the poor (often women) to be employed in the tourism sector because of its labor-intensive character. Third, the interconnectivity of tourism helps other sectors such as agriculture, handicrafts, transport, and retail and wholesale services to be sustained through both direct and indirect spending of tourists. Fourth, tourism has the potential to link tourists with local communities providing not only economic benefits for local small-scaled enterprises through the multiplier effect, but also cultural exchange through their interactions. However, although tourism might contribute to poverty reduction because of its positive economic impacts, tourism brings with it its own ambivalent image. On the one hand, it may bring an economic boom and on the other trigger undesirable consequences.

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<sup>2</sup> <http://step.unwto.org/en/content/tourism-and-poverty-alleviation>, retrieved 18 January, 2013

### 1.3 The possible perverse consequences of tourism

Since the late 1970s, the growing popularity of tourism drew the attention of ecological critics who expressed concerns about tourist behavior affecting ecological conditions, particularly in the Alpine areas of Europe (Bramwell and Lane, 1993; Hardy, et al, 2002). Nowadays there is an ongoing discussion among scholars about the multi-faceted impacts of tourism in terms of its economic, social, and ecological pros and cons. As can be seen from the many studies about the economic impacts of tourism, part of the conclusions is that tourism contributes to employment opportunities, generates income, attracts investment, improves local infrastructure and facilities, creates job for women, and generates foreign exchange (Akis et al., 1996; Faulkner & Tideswell, 1997; Andriotis, 2005; Liu & Var, 1986; Huttasin, 2008; Teo, 1994; Andriotis & Vaughan, 2003; Andereck et al, 2005; Andereck & Vogt, 2000; Johnson et al, 1994). However, tourism at the same time increases the prices of property and the inflation rate (Prentice et al, 1993; Korca, 1998; Walpole & Goodwin, 2001). When looking at its social impacts, researchers argue that tourism increases cultural pride and the preservation of traditions, and changes the roles of woman and young adults in the family (Prentice et al, 1993; Besculides et al., 2002; Gilbert & Clark, 1997; Korca, 1998; Perdue et al, 1987; Sheldon & Var, 2001; Dyer et al., 2003; Haralambopoulos & Pizam, 1996). Nevertheless, tourists are continuously perceived as outsiders and invaders by some of their hosts as they break moral, religious, and social codes. Examples include behavior such as nude bathing, public kissing, wearing skimpy clothes, and intrusions on religious ceremonies with unauthorized observation and photography (Pearce, 1995; Cohen, 1982). Other impacts include career changes of locals from farming to tourism related careers (Diagne, 2004; LaFlemme, 1979), drug addiction (Millan & Pizam, 1988), prostitution, theft, vandalism, in-migration to the host area (Brunt & Courtney, 1999; Getz, 1994; Green, 2005), changes of traditional lifestyle in terms of dialect dilution (Prentice, et al.,1993) and tourist's emulation of local attire (Brunt & Courtney, 1999). In terms of the ecological impacts, tourism provides the motivation to preserve natural environment (Swarbrooke, 1999). Nonetheless, the increasing growth of tourism also leads to increased pressures on the environment in terms of pollution (air/noise/water), litter, over-exploitation of natural resources (fossil fuel), biodiversity and ecosystem damage, etc. (Diagne, 2004; Belle & Bramwell, 2005; Green, 2005; Hills & Lundgren, 1977; Korca, 1998; Faulkner & Tideswell, 1997; Chihar & Stankova, 2005; Gilbert & Clark, 1997; Perdue et al, 1990; Liu et al, 1987).

To summarize this issue, Mommaas (2006) points to parasitical tendencies in tourism in terms of a self-destructive nature with an uneven distribution of benefits and costs, that makes it unsustainable, unless tourism is made to be responsible for its own impacts on regional ecological and cultural resources, thus internalizing external costs. Only if properly managed, may tourism be a potential option for economic development and poverty alleviation in less developed areas.



## 1.4 Thailand, poverty, and regional development

Thailand (having a per capita GNI US\$8,360)<sup>3</sup> is geographically situated at the center of Southeast Asia, sharing borders with the Union of Myanmar to the west, the Lao PDR to the northeast, Cambodia to the southeast, and Malaysia to the south. Thailand's economy heavily depends on exports (65 %), accounting for nearly two thirds of GDP, in which the manufacturing sector ranks first (Table 1.2). Between the 1950s and the 1980s, export-oriented agricultural industrialization was promoted, while around 1985 it was taken over by manufacturing exports, leading to more than a million agricultural laborers converting from farming jobs to urban jobs (UNDP, 2007). This caused the rapid growth clustered in urban area such as metropolitan Bangkok and proximity where only the urban population enjoys economic activities that include wealth creation and employment (Jongudomkarn & Camfield, 2006), resulting in regional disparities and rapid rural to urban migration due to the rural poverty and the lure of higher wages in the cities (Dixon, 1999). A regional development strategy to improve regional well-being by increasing employment, income, and productivity is the focus of attention for policy makers to redistribute the income and social equity to less developed regions. As such, there is not only a strong connection between economic development, regional development, and poverty alleviation, but regional development is also an attribute of a national development policy (Beer et al, 2003: 5, as cited in Pike, et al, 2006: 24).

With regard to the rise of a substantive labor flow into Bangkok, regional development considerations were explicitly taken up in the 7<sup>th</sup> National Economic and Social Development Plan (NESDB: 1992-1996) by developing other areas as urban centers, known as industrial zones, with an expectation of trickle down benefits to the less developed regions. The Thai government (the Board of Investment: BOI) has divided the country into three zones, based on the proximity to Bangkok, and has offered higher incentives to more

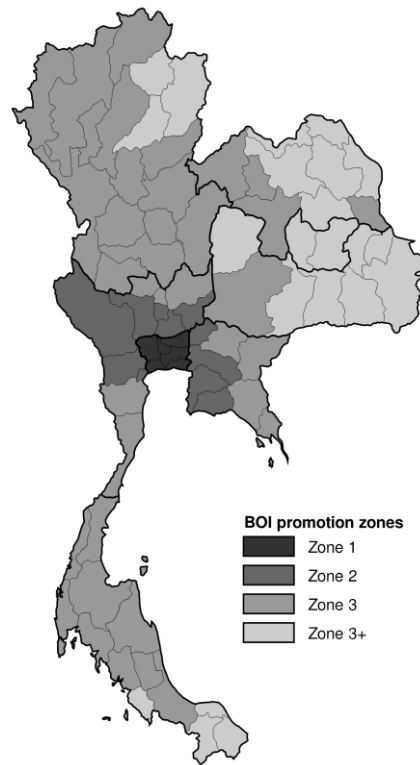
**Table 1.2 The economic structure of Thailand**

Sector	GDP by Sector (%)	Labor force by occupation (%)
Agriculture	8.6	38.2
Manufacturing	39.0	15.5
Wholesale and Retail Trade	13.5	15.5
Construction and Mining	4.3	6.1
Transport, Storage and Communication	9.6	2.6
Other Services *	37.9	23.4

\* Other services include the financial sector, education, hotels, and restaurants, etc.

Source: Bank of Thailand, 2011 ([http://www.bot.or.th/English/EconomicConditions/Thai/genecon/Pages/Thailand\\_Glance.aspx](http://www.bot.or.th/English/EconomicConditions/Thai/genecon/Pages/Thailand_Glance.aspx))

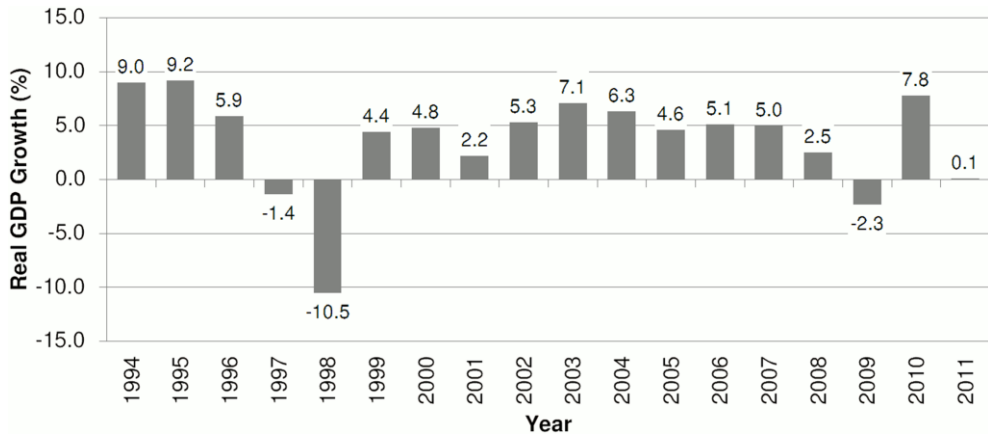
<sup>3</sup> <http://databank.worldbank.org/databank/download/GNIPC.pdf>, retrieved 20 January, 2013



**Figure 1.1 The BOI zone borders** (based on Richter, 2006)

remote zones to attract higher investments (Figure 1.1). However, firms need agglomeration benefits and as Richter (2006) explains, Bangkok is the capital city and can better provide these benefits to firms compared to outlying areas. These benefits include easy access to export channels, lower transport costs, better utilities, higher labor productivity (a larger skilled labor force), an advanced financial sector, proximity to the public administration, and strong markets for both input and output products. The lower cost of land and labor cannot benefit outlying regions. As a consequence, firms have been attracted to the areas closely surrounding Bangkok, pointing an inability to successfully promote more investment in other regions.

Under increasing global pressures, Thailand focused on shaping its economy to be on the forefront of economic development in East Asia by emphasizing the importance of economic growth in terms of finance, tourism, and trade. In 1993, capital control in the country was liberalized (known as BIBF) by permitting Thai commercial banks to borrow, lend, and deposit with other financial institutions abroad in the form of foreign currencies. This resulted in an economic boom. In the same year, Thailand was lifted up by The World Bank as a leading player in the second wave of the “East Asian Miracle” (World Bank, 1993).



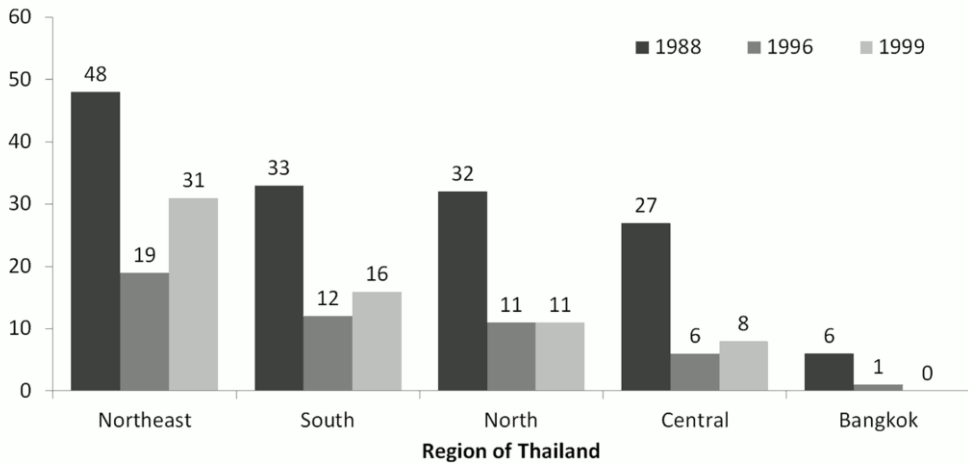
**Figure 1.2 Real GDP growth of Thailand** (based on Jitsuchon, TDRI Quarterly Review, June 2012)

However, the fact that the value of the Thai baht was pegged to the value of the USD and a high interest rate in Thailand caused an inflow of large amounts of money. Local banks borrowed money from abroad to lend to their customers who were taking short-term loans to finance long-term projects. Nonetheless such loans were not hedged against currency fluctuation. The capital overflow and improper lending practices resulted in a rapid expansion of domestic investments in real estate and the stock exchange which led to real estate and stock exchange bubbles and a slackening in productivity. A year later, the inflation rate of the Thai baht jumped to 6 %, but the USD inflation rate fell to 2 %, resulting in an overvalued Thai baht that affected exports (Bhaopichitr, 1997). In addition, there was a speculative attack on the Thai baht by a number of international financial speculators. The Thai economy was severely shaken in 1997 and experienced a sharp decline, followed by a period of economic instability through 2001 (Figure 1.2).

A result of this crisis was that 42 financial firms shut down, non-agricultural sectors collapsed, the unemployment rate rose, and poverty increased (Radelet & Sachs, 2000: 128; Abe, 1999: 69 – 84; Economist, 1997: 13). As presented in Figure 1.3<sup>4</sup>, the incidence of poverty sharply decreased in the period before the financial crisis (1988-1996) because of the economic prosperity. After the crisis, the incidence of poverty increased from 11.4 % in 1996, to 15.9 % in 1999 (Deolalikar, 2002), and to 20.98 % in 2000 (NESDB, 2008). Although the economic crisis originated in Bangkok, the situation was even worse in the

<sup>4</sup> Headcount ratio is based on primary analysis of data from the Socio-Economic Survey (SES) conducted by the National Statistical Office in 1999. The SES typically obtains information on household income and household expenditure, household consumption patterns, changes in assets and liabilities, ownership of durable goods, and housing characteristics. The SES applied a stratified two-stage sampling to collect the data. The primary sampling units were villages for non-municipal areas, and were blocked for municipal areas. The secondary sampling units were households within each of these blocks or villages. The typical sample size of about 25,000 households was undertaken throughout the year. For example, in 1998, the SES was conducted from a total of 23,549 households comprising 86,058 individuals.

### Income-poor population (%)



**Figure 1.3 Percentage of poverty** (source: NESCB, 2008)

countryside far away from Bangkok, especially in the Northeast or Isan region where the poverty incidence increased sharply in comparison to other regions. This was primarily attributed to the fact that 40% of Isan household incomes were dependent on remittances from family members working in Bangkok (UN Report, 2011: 58).

## 1.5 The Northeast (Isan) region and Ubon Ratchathani

The National Economic and Social Development Board (NESDB) reported that the northeast region, occupying approximately 160,000 square kilometers or around one - third of the country, is not only the most populous area of Thailand, with about 22.4 million people comprising about one third of Thailand's total population, but also the least developed and poorest (Table 1.3). Clarke (2006: 177) describes the poverty of the Northeast as comparable to the poverty incidence in Sub-Saharan Africa. The NESDB pointed out that 52.2% of the poor dwell in the villages of rural northeastern Thailand, and they all have had agrarian roots and earned their livings from agricultural activities.

According to existing statistics, the economic structure of Isan depends mainly on agriculture, manufacturing, commerce, and service sectors (Table 1.4) and 56.5% of the Isan labor makes a living from agricultural activities (NESDB, 2007). Richter (2006) pointed out that because of the low productivity in terms of low-yielding activities of human, physical and natural resources (e.g. the infertile soil that is porous and highly saline, limited irrigation, a lack of fertilizer), and the low market bargaining power, the growth of the Isan economy has fallen behind in comparison to other parts of Thailand. For these reasons, Isan young

**Table 1.3 Percentage of poor people by region during 2000-2009**

Location	2000	2002	2004	2006	2009
Bangkok	1.71	2.24	0.78	0.51	0.86
Central	9.03	7.63	4.47	3.31	2.54
North	23.10	20.29	15.68	12.00	11.08
North-east	35.34	23.06	18.58	16.77	13.67
South	16.64	9.56	6.03	5.49	4.72
Whole Kingdom	20.98	14.93	11.16	9.55	8.10

Source: NESDB, 2011

labor migrated to work in Bangkok and played a role in remittances. The economic crisis in 1997 transmitted the adverse impact to the Isan region because the economic sector responded to decreased aggregate demands by cutting back on employment and reducing wages, resulting in a decline in remittances of Isan migrants.

The province of Ubon Ratchathani is located in the Isan region (Figure 1.4). It covers 16,112 square kilometers in the Korat Basin and is an average of 68 meters/227 feet above sea level (Ubon Ratchathani Report, 2008). The population is approximately 1.78 million, 82.7 % of whom live in the country side, indicating that agriculture is the main economic activity. Like the Isan region, poverty in Ubon Ratchathani is embedded within severe and continuous drought conditions, small scale farms and farmers with low market power, and an unskilled labor force. According to the Ubon Ratchathani Provincial Statistics Office (2010), 1.04 million people are employed, of whom 5.1% are insured under the Social Security Fund and 64.7% have only elementary educational levels (and lower). The working condition without the registration in the Social Security Fund is insecure because employees do not receive protection (compensation) under seven circumstances: illness or accident,

**Table 1.4 GDP of the Northeast or Isan region compared to Thailand's GDP**

Sectors	Thailand (Unit: 100,000 million baht)					The Northeast or Isan region (Unit: 100,000 million baht)				
	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
GDP	70.8	78.4	85.3	90.1	90.4	7.1	8.1	9.0	9.4	10.4
Agriculture	7.2	8.4	9.1	10.4	10.3	1.4	1.5	1.8	1.9	2.2
Manufacture	24.6	27.4	30.3	31.6	30.8	0.9	1.2	1.4	1.5	1.6
Commerce	10.4	11.1	12.0	12.8	12.7	1.5	1.6	1.8	1.9	2.1
Service	22.0	24.0	25.9	27.4	28.1	2.6	3.0	3.3	3.4	3.6

Source: NESDB: <http://www.nesdb.go.th/Default.aspx?tabid=96>, retrieved 12 August 2013



**Figure 1.4 Map of Thailand, the Isan region, and Ubon Ratchathani**

physical disability, death not related to performance of work, child delivery, old age, child assistance, and unemployment. This might motivate the young labor migrating to work outside the province after finishing the agricultural season, leaving behind the old and the young babies in the villages (Ubon Ratchathani, 2007; 2009).

By the Ministry of Tourism and Sport, Ubon Ratchathani is perceived as one of the potential tourist destinations in Thailand. This is based on the following reasons. First, Ubon Ratchathani is one of the border provinces and possesses many natural and cultural resources that can be turned into tourist attractions, various tourism infrastructure and facilities (e.g. an airport, a train station, a bus station, and accommodations), and proximity to two of Thailand's four neighboring countries (Laos and Cambodia), so that the development of mass tourism might be successful. Second, Ubon Ratchathani has been the administrative center of the lower northeastern part of Thailand for a long time, so that it might be a key factor supporting the development of MICE (Meeting, Intensives, Conferences, and Events) tourism market. The development of regional tourism in Ubon Ratchathani could be an option to contribute to not only poverty alleviation but also the

reduction of the migration of the young laborers from Ubon Ratchathani and vicinity to other regions. Thus tourism has been supported to be one of the economic driving forces for Ubon Ratchathani (Ubon Ratchathani, 2009).

## **1.6 Tourism as a tool for economic development in Thailand**

Aware of the country's economic vulnerability, an economic recovery plan was launched. One of the important strategies has been the promotion of tourism as a means of earning foreign exchange because the devaluation of the Thai baht incentivized inbound tourism opportunities and outbound tourism was disincentivized (Higham, 2000). Another reason has been the success experienced with "Amazing Thailand", the December 1997 tourism promotion campaign that attracted a large number of international tourists, as seen in the increasing numbers of international arrivals (7.7, 8.5, and 9.5 million) that generated incomes of 240, 253, and 285 billion baht in 1998, 1999, and 2000 respectively (TAT, 2000). Officially recognizing this significant revenue generation, the government alternatively proposed a tourism-led economic recovery to complement manufacturing exports in order to improve regional economic performance.

Geographically divided into 4 main regions, Thailand has a variety of attractions. The North is a mountainous area, rich in numerous cultures, temples, and ethnic hill tribes. The South occupies the peninsula between the Andaman Sea of the Indian Ocean and the Gulf of Thailand, offering many exquisite and white sand beaches. The Central plain is a lush green and populous area in which Bangkok is located. The Northeast (Isan) is the arid Korat plateau where traces of the Khmer civilization can be found in the cultural heritage sites. Considering these diverse resources for tourism, the Thai government has seen an opportunity to develop tourism and develop a comparative advantage over many countries in terms of cultural heritage, traditional activities (such as agriculture and handicrafts), nature, wildlife, climate, and the hospitality of the Thai people.

To put tourism at the heart of development to reduce poverty, in 2001 the Thai government introduced One Tambon One Product (OTOP). The OTOP project has been targeted and focused on encouraging communities to participate in the tourism development decision making process. Small rural households have been urged to produce one champion product for each Tambon (the smallest unit officially recognized at a local administration level), based on their local knowledge and wisdom. Such products (including souvenirs) have been promoted by the Thai government to increase sales at both domestic and international levels. Tourism has served as a major market for the OTOP project. Since then, the OTOP project has been one of the vital strategies complementing the tourist promotion policy that has helped increase the incomes of local people. The next step of the OTOP project was to develop "OTOP Tourism Villages" as new tourist attractions, together with the promotion of eco-tourism in each region (see also Huttasin, 2008). In parallel with the OTOP project,

the Thailand Village Revolving Fund (VRF) was initiated. The VRF provided every village (74,000 villages) and urban community (4,500 communities) a million baht (about \$22,500: Bht44.51/\$ during 2001) as working capital for locally-run rotating credit associations (Boonperm, et al., 2007). The target group of the VRF was underprivileged individuals who had no access to the loan support from the bank. The VRF was run by the village fund committees who formulated the standard for loans and managed the loan application. The principles of both OTOP and VRF were to stimulate decentralization of power and anti-poor work. However, according to Boonperm, et al. (ibid.), the VRF was evaluated in 2004 revealing that on average, VRF borrowing led to 1.9 % more income, 3.3 % more expenditure, and about 5% more durable goods. Like the situation of BIBF that led Thailand to the financial crisis, VRF lured farmers to purchase durable goods such as mobile phone, motor cycle, television, etc. rather than invest in agricultural and OTOP production which could sustainably generate income. While the OTOP project has continued under the rebranded name, the OTOP tourism village scheme has made little progress due to the effect of the political turmoil since 2006<sup>5</sup> (see also Natsuda et al, 2011).

Additionally, traditional forms of mass tourism have also been actively promoted, because it is a tool to earn foreign exchange. The government has continually invested in infrastructure development such as the construction of a new airport (Bangkok's Suvarnabhumi), and the East-West Economic Corridor (EWEC) project established to build east - west roads to link Myanmar, Thailand, Laos, and Vietnam (Kmonwatananisa, 2008). The establishment of the Ministry of Tourism and Sports (MOTS) made it directly responsible for Thailand tourism development. The Thai government announced tourism as a part of the national agenda in Thailand's National Tourism Development Plan, 2012-2016, with a vision of being a quality tourism destination, and tourism competitiveness at international levels - a goal was set to be one of the top five destinations in Asia with an intention to increase tourism income by five percent during these five years<sup>6</sup>. Presently, tourism is recognized as an important part of the national agenda in driving the Thai economy.

Thailand has been referred to as a success story in tourism development and marketing, since tourism has been used as a tool for economic development (Opperman & Chon, 1997, Noypayak, 2001). However, tourism development in Thailand is described as imbalanced because tourism also leads to chronic congestion, pollution, environmental degradation, and a lot of social problems, particularly in Bangkok and coastal areas (e.g. Koh Samui) and this will make it difficult to continue economic growth (Cohen, 1996; Green, 2005). This suggests that the "boom" in Thai tourism might yield to a "bust" in which social, economic, and environmental problems will likely remain largely unresolved (Higham, 2000).

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<sup>5</sup> [http://en.wikipedia.org/wiki/One\\_Tambon\\_One\\_Product](http://en.wikipedia.org/wiki/One_Tambon_One_Product), retrieved 6 August, 2013.

<sup>6</sup> Inside Thailand, Thailand's National Tourism Development Plan, The Government Public Relations Department, Office of the Prime Minister. [http://thailand.prd.go.th/view\\_news.php?id=5525&a=2](http://thailand.prd.go.th/view_news.php?id=5525&a=2), retrieved 20 August, 2012.



Furthermore, Dr. Therdchai Choibamroong<sup>7</sup>, the director of Thailand Tourism Development Research Institute, indicates that the ambition to achieve “Thailand as a quality destination” aimed to increase 5% tourism income within 2016 faces a high level of competition because of an increase in new emerging destinations (e.g. Luang Prabang in Laos, Angkor Wat in Cambodia, and Halong Bay in Vietnam) and changes in international demand tastes. As a result, according to Chindahporn (2001), Thailand’s focus on developing more markets to increase the number of tourists is likely unavoidable while at the same time, there is the danger that more tourists rarely guarantee more income but tend to ensure the rapid deterioration of regional ecological and socio-cultural values and an increased expenditure to recover and rehabilitate tourism resources in each region.

## **1.7 The need for sustainable development of regional tourism in Thailand**

Respecting the unbalanced development of Thai tourism, there is an urgent need for a more sustainable development of regional tourism. According to In’t Veld (2006), from a sustainable development perspective, tourism has a close relationship with transportation and the degradation of natural and cultural resources due to the creation of tourist attractions in the host region. Transportation, particularly long-haul flights, taking tourists to and from destinations generates environmental consequences including the depletion of fuel resources, increased carbon dioxide emissions (resulting in greenhouse effects which ultimately escalate to global climate change), and noise pollution. The degradation of natural and cultural resources concerns the paradoxical logics of the tourism sector: instead of improving the quality of these resources on which it owes its existence, tourism often fails to take the quality of these attractions into account. This will ultimately affect the long-term performance of the tourism sector itself and hence the development of a region, the Isan region and Ubon Ratchathani being no exception. Therefore there is a need to build in systemic checks and balances to ensure a sustainable development of tourism.

In 2003, the Thai government (NESDB) assessed the strengths and weaknesses of Thailand tourism by adopting an assessment tool based on Porter’s Diamond model (1990), one of the influential managerial tools used to explore sources of competitive advantage of nations (see also Chapter 3). However, this was only done at the national level. Little attention has been given to investigate the competitive advantage of tourism at the regional level (Dwyer & Kim, 2003). At the same time, we argue that alternative assessment tools should be taken into consideration which broaden developmental perspectives to also included extra-economic qualities, thus incorporating external effects in the process.

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<sup>7</sup> <http://library.urui.ac.th/webdb/images/ttresearch50017.pdf>, retrieved 6 August, 2013.

## 1.8 Research objectives

The tendency for tourism to produce perverse consequences such as deteriorating regional ecological and cultural resources relates back the development perspectives which guide tourism management and development programmes. This raises questions about the need for proper managerial instruments able to monitor the causal relationships between tourism and economic, ecological, and social entities and feed that back into the tourism development system. Through a proper monitoring system, related parties would be able to determine potential benefits and problems, especially with regard to the external effects of tourism that must be addressed in order to mitigate the negative impacts and encourage positive actions.

This research predominantly gives attention to the thought experiment – the workings of different development perspectives on regional tourism development through a concrete comparison of related assessment tools. We would like to see how assessment tools work and what the consequences of applying such assessment tools might be. In doing so, our study takes Porter's Diamond model (1990) and the 'Telos Sustainability Balance Sheet' (TSBS) as the two principal cases in hand. While Porter's Diamond model (1990), representing an economic development perspective, is a well-known assessment tool that helps to identify sources of competitive advantage of regional tourism, the TSBS represents a more inclusive, regional, sustainable development perspective. The comparative study of these assessment tools is based on our assumption that different underlying development perspectives imply different assessment methods and hence different development strategies. Assessment tools provide information systems that can be helpful to regional development planners in understanding the current situation of tourism, leading to the strategic formulation, implementation, and evaluation of regional tourism, peculiar to the developmental perspective involved. Assessment tools form the materialized bridges between generic developmental storylines and their translation into information systems.

To put it in brief, by taking Ubon Ratchathani as our object of study, the practical purposes of this research are as follows:

1. To study the use of different developmental perspectives on regional tourism through the application of related assessment tools in Ubon Ratchathani;
2. Thus to compare the different developmental perspectives embedded in related assessment tools in order to provide the implications of applying the respective tools;
3. On the basis of this, to identify the ingredients for a possible regional development perspective able to inform better ways for regional tourism development in Ubon Ratchathani.

Consequently, the main research question is:

*How can we assess the development state of Ubon Ratchathani tourism by applying Porter's Diamond model and the TSBS and thus give direction to the regional development of tourism for policy makers and tourism related parties?*

Three sub-research questions concern a comparative application of the two models in assessing regional tourism development and a comparative analysis of their consequences in terms of perspectives for a regional development of tourism in Ubon Ratchathani:

1. How can tourism in Ubon Ratchathani be characterized in terms of Porter's Diamond model (1990)?
2. How can tourism in Ubon Ratchathani be characterized in terms of the Telos Sustainability Balance Sheet (TSBS)?
3. What are the comparative implications of the results of these assessment tools regarding the sustainable development of regional tourism in Ubon Ratchathani?

## 1.9 Outline

Chapter 2 deals with our perspective on tourism and development. The discussion will run from the historical development narrative of tourism through seeing tourism as a generic, an economic and/or developmental system to a discussion of the dialectic relationship between the "flow" and "place" based developmental perspectives/dynamics. This brings us to the sustainability agenda.

Chapter 3 presents the assessment tools under study: Porter's Diamond model (1990) and the TSBS. Because each has a different underlying development perspective, this chapter will provide a thorough comparison of their concepts and at the same time will review their different applications in assessing tourism.

Chapter 4 outlines the research design (a comparative case study), presents operationalization challenges, and explains the data collection procedures and the data analysis.

Chapters 5 and 6 give accounts of the application of Porter's Diamond model and the TSBS respectively. It will also discuss the possible strategies for tourism development resulting from the application of the different assessment tools.

Chapter 7 gives the results of the comparative study. It also provides conclusions and suggestions on further research in order to develop more sustainable regional tourism programmes.

## **Chapter 2    Tourism and regional development**

Tourism is a multifaceted phenomenon. It can be viewed from different perspectives, depending on the purposes and interests of the observer (Hall, 2000; Hall and Butler, 1995; Farrell & Twining-Ward, 2003). For instance, economists might look at tourism as an economic sector, as a part of the macro economy. What they are interested in may include the extent to which tourism contributes to such things as employment opportunities, foreign exchange, and the balance of payments. Policymakers might think of tourism as a mechanism for regional development, looking at its role in reducing socio-economic disparity. Sociologists might study tourism from the point of view of its role in strengthening or weakening forms of social cohesion. Geographers could be concerned with the spatial dimensions of tourism: the flow of travelers, notions of place, and changes in the physical landscape. Thus, tourism can be studied from a wide variety of disciplinary perspectives (Leiper, 1990). As a result, analytical storylines of tourism are many and diverse. To find our way through this landscape, we will begin our discussion with a brief look at the history of tourism (section 2.1) in order to provide not only an evolutionary background of tourism but also a background for the tourism concept to be used in the remainder of this study. Because the field of tourism itself lacks an independent theory, for the purposes of this analysis we will follow a multidisciplinary approach. We will look at the phenomenon from four perspectives: tourism as a generic system (section 2.2), tourism as an economic system (section 2.3), tourism as a developmental tool (section 2.4), and tourism as an object of sustainable development (section 2.5). Finally in section 2.6, we will consider the challenges of how to analyze the development of tourism comparing economic versus sustainable development perspectives.

### **2.1    Historical development of tourism: A short review**

The word “tour” derives from the Latin term “tornare” or the Greek term “tonos” expressing a sense of moving around a central axle (Theobald, 1994; Goeldner & Ritchie, 2006). In French the word “tour” referred to “tower” which may acquire a meaning linked to a round-type journey with leisure and in English the word, “tour” meant a trip returning to the starting point (Leiper, 1990: 3 - 4). According to Leiper (1990: 5), in the 1770s Adam Smith (the author of “The Wealth of Nations”) was the first person to use the noun form

“tourist.” A “tourist” was presented as a person undertaking a tour (Williams, 1998: 3). The suffix -ism (evolved from “tourist”) turns a noun into an action noun and transforms tour to tourism indicating an action or process of touring practices. Tourism therefore characterizes the temporary movement of people away from home to experience things in a particular place and then return.

The history of modern tourism in Western countries is often related back to the Grand Tour. By the 17th centuries, the Grand Tour had been established as a tour, particularly undertaken by young aristocratic men from the noble classes, around the European continent, for the purpose of education and cultural experience (Leiper, 1990; Towner, 1995; Brodsky Porges, 1981).

As a social phenomenon, tourism did not become widespread until the 1840’s, when Thomas Cook started to arrange excursion by trains from Leicester to Loughborough, England. Later he expanded his traveling packages to include luggage handling, accommodations, restaurant bookings, and provision of additional information. Thus, these arrangements or “passages”<sup>8</sup> became organized into all-inclusive tour packages, offered to tourists throughout Europe (Peters, 2006). This signaled the emergence of modern tourism, even though it was still mainly set aside for the upper social classes.

The industrial revolution (from about the late 18th to the beginning of the 20th century), together with an increasing collective organization of the emerging labor class, led to a gradual improvement in discretionary income, and an increase in peoples’ leisure time. Innovations in business practice (e.g. travel checks), and transportation (e.g. automobiles, railways, and ocean liners) also stimulated travel demand for leisure holidays (Verbeek, 2009). As a result, tourism quickly expanded from the affluent upper to the middle classes. Towner (1995), following Veblen’s concept of “conspicuous consumption” (see also Veblen 1899 – *The Theory of The Leisure Class*), argues that this growth of tourism was also partly a phenomenon of social emulation.

After the Second World War, from the 1960s onwards, in the context of the so-called post-industrial emergence of a service economy, mass packaged tourism has continued to grow because of a variety of factors. The improvement of the international political situation made travelers feel more secure; the advance in air transportation technology on a global scale made it possible for more travelers to fly cheaper, faster, easier, and cover longer distances than before.

Finally, towards the end of the 20th century, the availability and use of the internet facilitated travelers’ access to information and to plan their trips easily via on-line reservations. The widespread perception of tourism as a self-evident part of modern life,

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<sup>8</sup> A movement arrangement based on connections between different modes of transport, accommodation and restaurant bookings, luggage shipments, and the provision of information (Peters 2006: 69-70).

wherein people seek to temporarily escape from their everyday routines, has resulted in many people traveling much more for both domestic and overseas holidays (Murphy, 1985: 22). Presently, according to the United Nations World Tourism Organization (UNWTO)<sup>9</sup>, tourism is the fastest growing industry and one of the largest industries in the world, responsible for 5% of the world's GDP, 6% of total exports and employment in 2011.

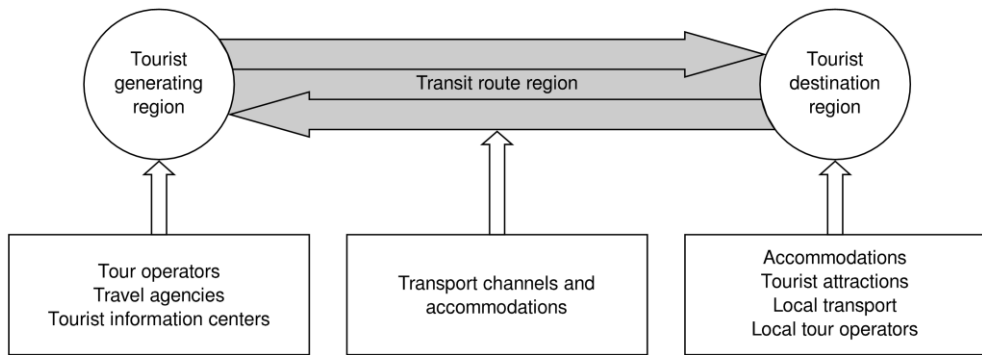
## **2.2 Tourism as a generic system**

According to MacCannell (1976: 41), a tourist attraction is a relationship between a tourist, a sight, and a marker – a piece of information turning a place into a sight. The term 'marker' implies something of an integrated system of tourism in which a tourist attraction embedded in its regional ecological and cultural environment is presented to tourists to enjoy and after a while leave behind again. This organization of markers, enabling tourists to follow a passage and experience sites, can be regarded as part and parcel of the tourist culture (Van den Abbeele, 1980).

Based on MacCannell's notion in which the genesis of a tourist attraction concerns the relationships between the interconnected functions, Leiper (1979) proposes describing tourism as a 'system.' The tourism system contains three elements: a human element (the tourist), a geographical element (the tourist generating region, the transit route, and the tourist destination region), and the industrial element (the travel and tourism industry). In this tourism system, tourists interact with not only the travel and tourism industry but also the region, taking into account the many environments (e.g. socio-cultural, economical, technological, physical, political, legal, etc.) which might impact the decision making process of tourists (Figure 2.1). Before making a decision to make a journey, apart from conditional circumstances (financial situation, free time availability, attitudes about tourism, interests, and desires), tourists develop an image and expectations of an attraction, based on a marker or a set of information provided by the travel and tourism industry, designed to encourage them to initiate the experience (Buhalis, 2000; Leiper, 1990: 190). In addition, before traveling they might feel the need to examine the environment that could include either threats (natural disasters or disease) or opportunities (the value of money or education). When traveling, tourists use transportation infrastructures that might include airlines, cruises, rail, motor cars, and/or other forms. In the destination, it is unavoidable that tourists interact with local residents in either commercial (restaurants, souvenir selling) or non-commercial contexts (asking information). Tourists thus function as catalysts in a tourism system, initiating a chain of consequentially interacting elements that present to us an overview of how tourism is organized.

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<sup>9</sup> <http://media.unwto.org/en/press-release/2012-01-16/international-tourism-reach-one-billion-2012>, retrieved 21 April, 2013.



**Environments:** socio-cultural, economical, technological, physical, political, legal, etc.

■ = location of travellers, tourists and the travel and tourism industry.

**Figure 2.1 The tourism system model** (adapted from Leiper, 1990)

Pearce (1987: 54-60) indicates that the tourism system is vast with boundaries that are relatively blurred and in dynamic flux. Nevertheless, however dynamic, the boundaries of the tourism system depend on both physical and psychological characteristics (Leiper, 1990). In physical terms, the WTO's tourism definition sets the boundary of the tourism system at the minimum range of a trip with the duration of less than a year<sup>10</sup>, while in psychological terms it depends on a certain amount of familiarity of travelers with a destination.

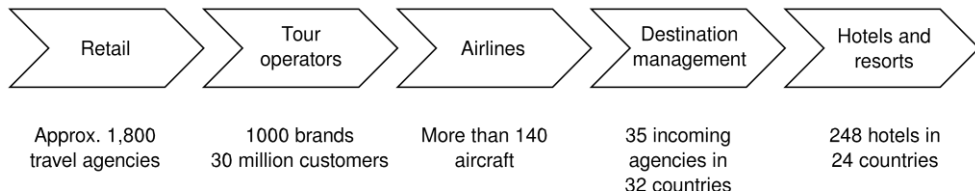
This brings us to the conclusion that the system of tourism can function because of the interactions between tourists and a whole range of other elements, particularly brought together in the organization of 'passages' or 'trips', understood as forms of system integration (Jafari, 1990) which facilitate the movement of tourists from one place to another.

### The development of passages: the case of TUI

Passages are developed through the dynamic interaction between transport, accommodation, and excursion services, to provide experience value to travellers and to produce economic value for tourism firms. To give an insight into what it means to produce passages, we might take a look at Touristik Union International (TUI), Europe's leading travel company and the world largest tourism firm (Figure 2.2)<sup>11</sup>. TUI categorizes its business into three main groups: TUI travel (tour operators, airlines, retail and incoming activities); TUI hotels and resorts; and TUI Cruises (Hapag-Lloyd Cruises, TUI Cruises).

<sup>10</sup> Tourism is defined as "the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited." (Definition by The World Tourism Organization)

<sup>11</sup> <http://www.tui-group.com/en/company>, accessed 27 January, 2010

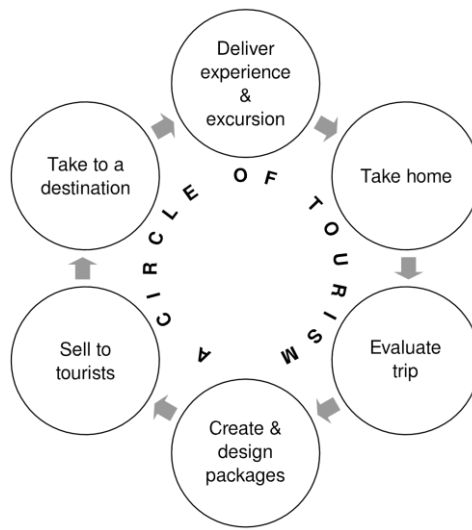


**Figure 2.2 The vertical integration in the tourism operations of TUI group** (source: TUI Group)

In this case, passages are offered to and arranged for travelers on an ‘industrialized’ basis, by integrating travel, accommodations, and other related activities. The notion of passages refers to tour packages pre-arranged by tour retailers and bought by tourists. Tourists are boarded on trains/busses/airplanes/ships bound for their destination. There they spend their nights in hotels or other accommodations and are taken on excursions to attractions before they are taken home again. While bringing tourists back home, the evaluation of trips might be conducted through customer surveys in order to improve the quality of passages, aimed at attracting customers to repurchase packages, and/or creating and designing new types of packages (Figure 2.3). The passages thus made available by TUI not only demonstrate a clear picture of the activities that occur in tourism operations, but also represent a high degree of vertical integration. According to Theuvsen (2004), the vertical integration of these operations by TUI is aimed at reducing transaction costs, accessing the best destinations, lowering the cost of input provision, and increasing market share and market power. From a business perspective, the vertical integration is regarded as a form of management control in which TUI arranges, delivers, and controls the quality of its passages through the whole business chain, straight through to the end customers (Emmett & Crocker, 2006: 2). In so doing, TUI creates specialized competencies (e.g. brand management, creating access to supply markets, expanding distribution channels, and disseminating knowledge about the destinations) and adds economic value. More generally, the tourism industry worldwide is rather fragmented, mostly being comprised of small-medium sized tourism businesses that make it difficult to systematically control the quality of passages, as TUI does.

The functioning of the tourism system, thus defined, carries with it certain key dimensions. This system operates in and crosscuts economic, socio-cultural, spatial, and ecological spheres and as such the tourism system incorporates relationships and interactions between humans and “things.” Van der Duim (2007) typifies how these interactions between humans and “things” around tourism can be conceptualized in terms of so-called “Tourismsapes” in which tourism is developed by a complex process of translation, interweaving people, organizations, objects, technologies, and spaces. The category of ‘people’ might refer to not only tourists, tourism entrepreneurs, but also related suppliers (e.g. energy suppliers, agricultural product suppliers), etc. ‘Organizations’ may include the national, regional, and local government, the Tourism Authority of Thailand





**Figure 2.3 A circle of tourism based on TUI operations**

(TAT), the tour operator association, the hotel association, the Chamber of Commerce, the labor unions, the airport office, the railway office, the tourist police office, etc. ‘Objects’ might involve architectural buildings (e.g. the Thai-Lao architectural temples), museums, passports, credit cards, money, immigration documents (visas), flight tickets, airplanes, automobiles, bicycles, souvenirs, etc. ‘Technologies’ could be information and media technologies such as websites, brochures, magazines, photographs, computers, etc. ‘Meaning’ is established in relationships between humans, and between humans and inanimate entities. The latter get their meaning by making them “fit for use” through “a narrative construction” (Van der Duim, 2005: 87). For example, a waterfall as such is just water falling over the edge of a cliff until someone makes it “fit for use” with a story or even just a picture at which point it becomes a tourist attraction. In this case, the waterfall (or inanimate entity) has meaning because it shapes the feature of a destination within a shared social practice, pointing interactions between human and “things” that perform tourism. Noronha (1977:17 as cited in Cohen, 1979) indicates that interactions emerge when tourists travel, arrive, and experience the particular attributes of a destination, when business people respond to their presence by developing a tourism industry, and when the attractions and commercial areas together finally constitute an institutionalized setting, in other words, when tourists and hosts come together for the purpose of economic/cultural exchange (De Kadt, as cited in Cooper et al., 1998).

All of these elements are possible starting points for describing how tourism as a system encompasses economic, social and ecological moments, and how these interact in producing a more or less certain type of development. Hence tourism can be looked upon from economic, spatial social, ecological, and cultural perspectives. One might see tourism as an

industry by reason of its function as a service production unit in the context of a broader economic system. One might also look at it as an instrument of development for under-developed regions where tourism can perform as “a Cinderella industry” (Tisdell, 1998: 16) by giving a “rags to riches” strategic boost to regional economic development. Looking at it from a more multidimensional sustainability perspective, one might consider the interrelationships between economic, social, and ecological functions within the tourism system itself and in relation to its environment.

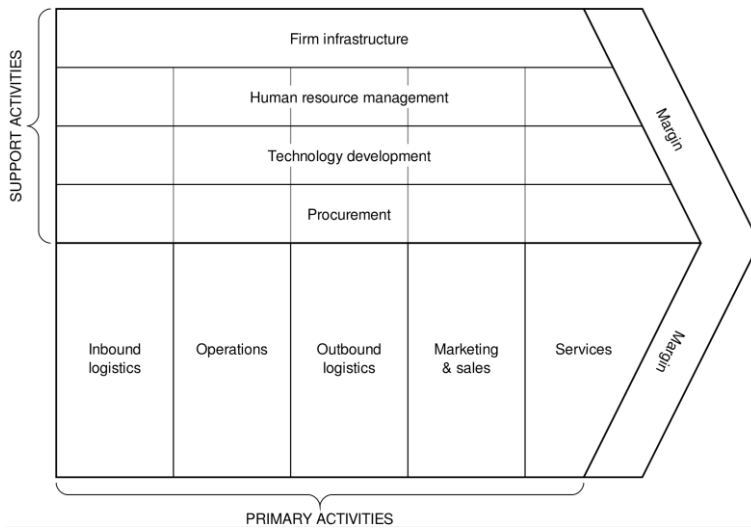
## **2.3 Tourism as an economic system**

The organization of passages that allows tourists to go to a destination, temporarily stay and experience natural and cultural attractions with regard to “a marker”, and then return to their home from the destination occurs because an exchange of economic value is anticipated. Tourism consequently embraces the relationship of supply and demand. Tourism demand relates to the tourist’s choice of tourism products that fit their tastes and preferences. Tourism supply refers to the production and distribution of tourism services (e.g. tour packages, hotel rooms, and modes of transportation). A series of interdependent activities in producing and distributing tourism services to create valued experiences for tourists indicate the functioning of tourism as an economic system. In this section, we will describe tourism from the notion of a competitive advantage, based on its value chain.

### **2.3.1 Economic development: the competitive advantage of tourism**

As illustrated above, TUI exemplifies how passages are organized, operated, and managed through collaborations with other firms, in order to gain market share and maximize profits in a capitalist system. It demonstrates how tourism firms manage a chain of activities arranged systematically and strategically to create economic value. In economics this interconnection of the activities of firms to achieve profitability is referred to as a value chain. The value chain emphasizes the proper coordination between activities within and outside a firm to create value for customers. Porter (1980) states that the ultimate worth of the value chain is determined by the number of customers willing to buy the end product. Therefore, in accordance with Porter (1990: 40-41), the arrangement of and productivity within the value chain is a possible source of competitive advantage at both the firm level, the industry level, and the destination (regional) level.

- *At the firm level*, the value chain is divided into primary activities and support activities (Figure 2.4). Primary activities involve the ongoing production, marketing, and delivery of services that deliver value directed to customers. As Porter describes, support activities embrace the firm’s infrastructure (e.g. finance and management), human resource management, technology development, and procurement. Both types of activities are closely related because primary activities employ all support activities to generate value; for example,

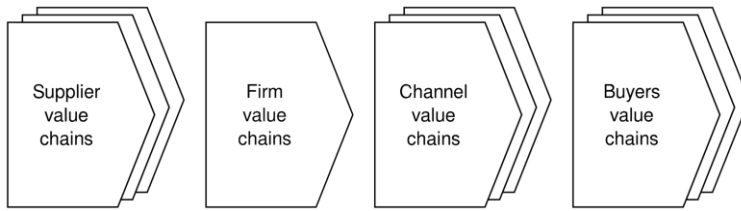


**Figure 2.4 Porter's value chain** (source: Porter 1980)

both production and marketing units utilize purchased materials, human resources, technology (e.g. computers), finance, and general management. Every activity in a firm that interacts with another affects the productivity and cost of each part as well as the whole. To gain competitive advantage, Porter suggests that a firm must optimize trade-offs in performance by increasing coordination. For example, in the hotel sector good coordination between the housekeeping unit and the procurement unit allows on-time delivery of cleaning supplies that can reduce inventory costs.

- *At the industry level*, a firm is required to link and coordinate with outside firms in a vertical and/or horizontal value chain and operate a whole cluster of chains as a value system. The more a firm links and properly manages its entire system (the interdependencies between a firm and its suppliers, distribution channels, and other value chains), the more it gains in competitive advantage. Porter (1980) calls this the value system (Figure 2.5).

According to Porter, in order to gain a competitive advantage in the marketplace, domestically and internationally, tourism as a sector needs appropriate coordination both inside and outside its firms, strengthening the production process and building the relationships with related parties (e.g. suppliers, distributors, and government agencies). To be able to provide tourists with trips that have valuable content, a tourism firm is required to research the needs and wants of travelers and then, through the efficient utilization of production factors (e.g. capital and human resources) within the firm itself and coordinating with other firms/sectors, arrange the trips that deliver good experiences. At the same time, it is necessary for a firm to examine the components of its business environment such as government policies (e.g. tax and trade regulations) that might affect its profit performance positively and negatively.



**Figure 2.5 Porter's value system** (Source: Porter, 1980)

- *At the regional destination level*, according to Porter (1990), the competitive advantage of tourism as an economic system in turn influences the competitiveness of the region. Tourism firms' profit performance and hence the tourism sector's profitability can result in increases in reinvestment and tax payments, leading to a growth of the regional economy and public budget and thus to an increase in the regional citizens' standard of living, that in turn contributes to productivity of the tourism economy. This can ignite a competitive attitude in which the notion of "regional competitiveness" has emerged. Each region strives to retain capital, skilled labor, and investment because, in accordance with Porter, these are the sources of regional economic competitiveness. In other words, the regional competitiveness relates to the extent that a region can attract production factors (e.g. capital, labor, and technology) and has the capability of increasing productivity. Instead of leaving regional resources unproductive and hence creating no economic value, tourism can put these resources to use by placing them more effectively in the market, thus creating a competitive advantage and attracting purchasing power. In this way, tourism helps stimulate regional economic expansion and persuade new investment. Pike *et al* (2006: 11) indicate that competition between regions concerns not only new capital and investment, but also the boost of consumption. Examples of the effects of this kind of regional competition can be seen in metropolitan cities (e.g. London as a financial center, and Paris as a fashion center) and in the role of world mega-events (e.g. World Expositions, World Fairs, Olympics, and the World Cup Championships). All of these promote certain types of tourism markets, for instance, business oriented tourists for London and leisure oriented tourists for the Olympics. The UNWTO points out that the average growth of tourism at more than 6 % per annum in 1995 is expected to continue to 2020, especially in Asia, confirming the potential of future growth in tourism. Thus, regions are packaged as products to be sold globally, supported by the implementation of promotional and marketing strategies to tempt tourists. As a result, the competition between regions and destinations to attract both tourists and new investments increases, observed from the rise in marketing efforts (public relations and advertising) of different regions. This clearly indicates a growing competition between tourism firms within regions and between each destination, as the fundamental tourism products emphasize destination experiences (Ritchie & Crouch, 2000).

### 2.3.2 The tourism value chain

Unlike other industries where the quality of products can be controlled throughout the whole value chain, tourism has unique characteristics. This industry is composed of many small and medium sized loosely organized firms. Mommaas (2006) describes its fragmented character as follows: “*tourism might primarily be seen as part of a wider leisure related satellite or cluster of activities/enterprises, with value relations moving in and out of various economic orbits (travel and tourism, sports, nature and creation, arts and culture, events and entertainment, hotel and catering, etc.).*” This implies that tourism’s value chain consists of two dimensions: one dimension (vertical) relates to rapidly globalized tourism firms providing hospitality services to customers, as demonstrated in the case of TUI. The other dimension (horizontal) represents regionally embedded tourism content and context such as natural landscapes, heritage sites, local economic activities, and cultural events. Think here, for instance, of the tulip bulbs in Holland. Tulip bulbs are not directly a part of the tourism industry but a part of the agricultural sector. Nevertheless, when used as a promotional tool by the tourism industry, they can help attract many visitors that support the tourism sector (Figure 2.6). Without them, the tourism sector might find it much more difficult to entice tourists to the region. Thus, the economic value of the tourism sector is partly built upon the uniqueness and interest of regional resources, not originally produced and/or maintained by the tourism sector itself, which provide tourists with rich visitation experiences and hence deliver value. Tourists buy a trip because they want to experience and sense the uniqueness of a place (e.g. see picturesque natural and cultural landscapes, enjoy the climate, experience beautiful arts and local hospitality, join local leisure activities, try local cuisine, and so forth). Therefore, the stronger the vertical/global tourism dimension (travel and communication) is linked to horizontal/regional tourism dimension (a landscape of experience resources), the better the performance of tourism.

In conclusion, to understand tourism as an economic system is to look primarily at how the tourism sector operates in the market to strive to meet consumer demand and achieve wealth maximization, and how the region/destination gains a competitive advantage through and because of this. In so doing, according to De Man (2004: 13–14), there are five current driving forces that tourism firms must take into account: trade liberalization and internationalization, increasing competition, management innovation, the individualization of contemporary demand, and technological progress. Trade liberalization and internationalization processes make it easier for a tourism firm to access knowledge, resources, and overseas markets through cooperation with business networks in the target destinations. Intense competition stimulates a tourism firm to operate productively by looking for a partnership within the tourism cluster to balance or increase its power against its rivalries. Management innovation helps to systematically manage relationships between partners in the tourism value chain. Contemporary tourism demand is individualized and complex and tourism firms need to respond quickly by generating new solutions through their value chains. Progress in technology enables a tourism firm to reduce its risk to the

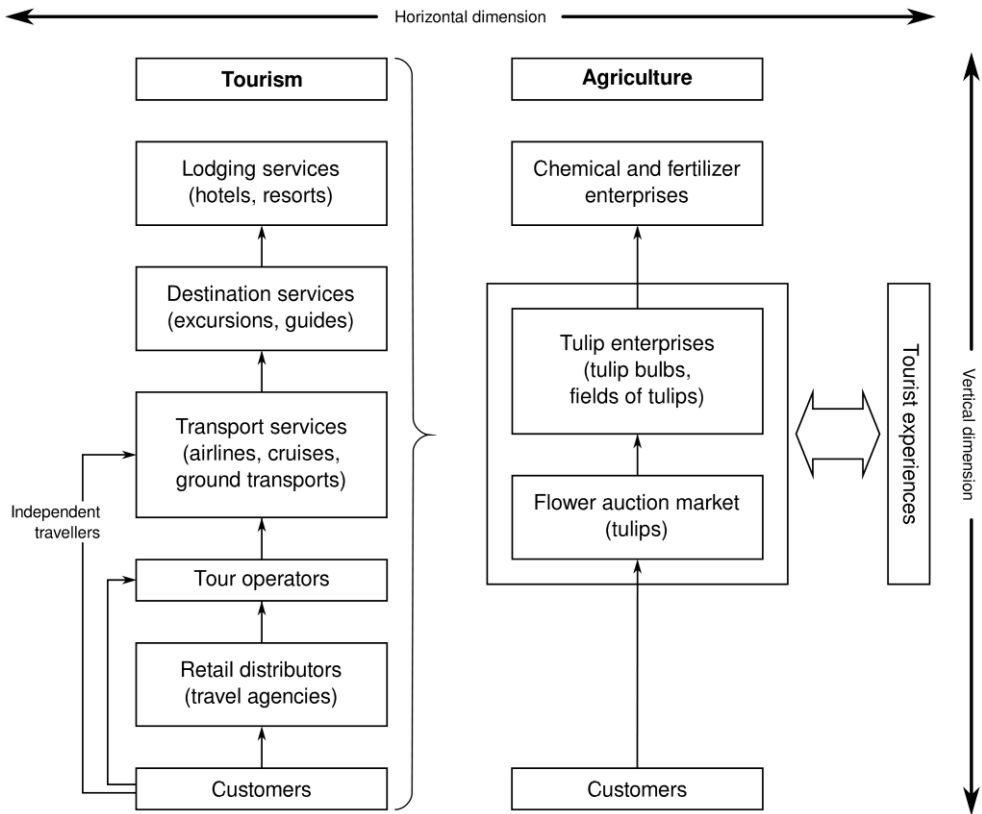


Figure 2.6 Example of tourism's value chain

consequences of a more dynamic demand. One way to accomplish this is through business alliances that help it keep up with international standards (e.g. advanced technology and communication). Hence, in the face of a more dynamic and competitive market, proper collaborations in and across value chains is more and more needed to ensure the increased productivity of tourism, resulting in the ability to deliver the desired value to tourists which will end in market development, contributions to GDP and job creation, and thus potentially to forms of regional development (Sessa, 1988).

## 2.4 Tourism as a development tool

Tourism has grown rapidly and because of the economic interest involved, tourism has turned into a development tool. Pike, *et al.* (2006: 8) indicate that tourism has often been seen as a successful path in regional development, due to the fact that it paves the way to attract tourists and investments to a region, in particular, in rural and isolated area with attractive landscapes. In addition, business opportunities in tourism often require minimal investments (Jackson & Murphy, 2006; Sharpley & Sharpley, 1997: 22).

Because tourism is comprised of various defined groups of independent firms interacting in formal and informal networks across horizontal and vertical value chains (Scott, *et al.*, 2008; Bramwell and Lane, 2000), it can function as an economic multiplier supporting both the tourism sector itself and other regional economic activities through direct, indirect, and induced economic effects (Stynes, 1999). According to Stynes, the direct economic effects of tourism take place within the tourism industry proper, consisting of hotels, tour operators, restaurants, transportation systems, amusement venues, etc., where sales in the tourism industry contribute to income generation and employment. The indirect economic effects stem from production functions in other backward-linked sectors (e.g. agriculture and retail sectors) of the tourism industry. These backward-linked sectors supply goods and services to the tourism industry and thus the performance of the tourism industry affects them. Through the investment of revenues by the tourism sector, sales in the backward-linked sectors also generate income and jobs. The induced economic effects derive from changes in other sectors (e.g. housing, transportation, and local products) resulting from household spending of money earned from either the tourism sector or the backward-linked sectors. Economic impacts of tourism thus affect a wide range of sectors (the tourism sector, the backward-linked sectors, households, and the governmental sphere) that might benefit from tourism spending.

Regarding tourism's economic significance, the government (e.g. in Thailand) supports its development by, for instance, arranging tourism information centers in each region to provide strong marketing support to help the region compete with other regions. This kind of government support is unlikely to be found in other industries. Other than that, the government stimulates the accessibility to a region by providing basic infrastructure (e.g. road and airport construction), establishing suitable institutional arrangements (e.g. immigration, passports and visas, customs), developing a skilled labor force for tourism through the educational and training systems, and providing security and safety through the arrangements with local and tourist police. Also, to stimulate regional growth, the government sometimes intervenes in the development of regional tourism by making money available to local tourism firms who pay local laborers, who turn around and buy from local firms, thus stimulating demand.

However, although tourism can thus be used to improve economic conditions in a region, there are also possible costs. These costs may, among others, occur when the 'carrying capacity' of the region is exceeded, due to a possible increase in the number of visitors. This potentially increases tensions between social, ecological, and economic interests. To give some examples:

- *Social-economic tension:* The tourism industry may sometimes strengthen an interest in local culture because it 'sells' the cultural aesthetic and contributes to the preservation of and the pride in local culture and traditional heritage of local communities (Mommaas & Janssen,

2008). Nonetheless, sometimes tourists may break the moral codes of the locale by, for instance, taking photos of heritage sites that are prohibited. Additionally, tourism might stimulate an adaptation of the local language, traditional lifestyle, and local architectural style to suit tourist preferences (see also Middleton & Hawkins, 1998; Green, 2005; Williams & Lawson, 2001; Snaith & Haley, 1999; Andriotis, 2005; Gunce, 2003; Mathieson & Wall, 1982). Besides, the increased number of tourists might bring inconveniences to local communities such as traffic congestion and crowded public transport. The transmission of socio-cultural impacts might lead to local residents' annoyance and hence the tension between economic gains and socio-cultural losses (Beeton, 2006: 39). Tourism might bring emancipation but it is also often seen as a threat to local integrity. It opens up forms of social inequality that may deprive local residents of access to regional resources inducing further hostilities (Swarbrooke, 1999).

- *Ecological-economic tension*: From a regional development perspective, tourism might use "under-used" regional resources more productively (Pike, *et al*, 2006: 10). However, this also possibly accelerates the commercialization of the regional natural environment in such a way that natural resources such as rivers, lakes, seas, and forests, are packaged and advertised to draw tourists (Hardy, ., 2002), who lead to ecological system degradation as tourists trample vegetation with feet and vehicles, pick vegetation for souvenirs, and do activities that may disturb the breeding patterns of wildlife (Swarbrooke, 1999). Additionally, tourism increases traffic congestion, overcrowding, pollution, and noise, and results in litter that causes negative visual impacts (Andereck *et al*, 2005; Brunt & Courtney, 1999; Prentice *et al*, 1993; Johnson *et al*, 1994; Faulkner & Tideswell, 1997; Chihar & Stankova, 2005).

These are illustrations of the often tensionfull relationships between economic, social, and ecological qualities and/or conditions around tourism: on the one hand these qualities depend on one another, but on the other there are potential conflicts of interests between them. Here, we will further characterize these relationships in terms of what Castells (1989) has typified as the 'space of flows' and the 'space of places'.

### **Tourism between flow and place: a dialectic relationship**

According to Castells (1996: 442); *"there is a new spatial form characteristic of social practices that dominate and shape the network society: the space of flows. The space of flows is the material organization of time-sharing social practices that work through flows. By flows I understand purposeful, repetitive, programmable sequences of exchange and interaction between physically disjointed positions held by social actors in the economic, political, and symbolic structures of society."* In our current 'informational' society, social practices have been restructured in light of the revolution in information technologies, enabling a more detailed coordination of activities through time and space, which in turn stimulates the management of networked activities (e.g. horizontal management). In the world economy the space of flows also pertains to flows of capital, labor, information, technology, etc. that allows for more profound co-ordinations in both



consumption and production domains over larger stretches of space. In the consumption domain, according to Castells, the power of these information flows is, among others, seen in the development of relatively homogeneous life patterns of geographically and culturally diverse audiences. In the production domain, technology makes coordinated production at widely separated locations possible. Thus, because of the high production costs in Japan, Japanese manufacturing companies have established offshore production sites in South-East Asia where the costs of labor and real estate are much lower. The headquarters remain in Japan, but high tech systems allow for the management and monitoring of production efficiency and product quality in South-East Asia. The decision of the upper-level management team in Japan to channel the flows of technology and the flows of capital to overseas factories is facilitated by high tech information flows. This implies, according to Castells, that no matter how far apart the factual production locations (or “the space of places”) are in a geographical sense, the social dynamics and functional logic are still based on real-time activities because of the information technology. At the same time, this information technology has become the primary production factor, because in the new economic system the productivity and competitiveness of firms rely on the extent to which they can generate, process, and apply knowledge based information (Castells, 1996: 66). From this point of view, Castells concludes that in the informational economy, the space of flows supersedes the space of places. Information technologies enable real-time interactions across distances thus also changing the meaning and dynamic of the related places. It could be said that the increasing dynamism in the space of flows is changing the nature of the capitalist society to a new brand of a truly global capitalism, constantly on the look-out for a spatial optimization of production.

However, at the same time, Castells (2000) also argues that the space of flows does not replace the space of places. Instead, it requires physical places and communities as a foundation. Given a specific location, the space of flows needs a technological infrastructure that operates and connects functions and people located in varied places. The coordination of this information flow is concentrated in certain global cities (e.g. New York and London) enabling flows of information between remote sites. These global cities are important because of their well-defined social, cultural, physical, and functional characteristics enabling them to play their role as coordination points for a smooth interaction between all elements in the network (Castells 1996: 413). Therefore, the space of places is important, particularly if the production and service processes rely on the spatial proximity to the origin of materials and/or the distribution channels which can increase a firm’s capacity to compete in the world economy. To give an example in the tourism industry, most hotels strive to set themselves in the central area of the tourist destination, demonstrating the significance of the space of places.

When translated to tourism, the space of flows represents the more functionally oriented flow of tourists and the more dynamic operation of that flow through an international tourism chain making use of new informational technologies; the space of places represents the local look and feel of a place, as managed by a local tourism infrastructure, in interaction with a more comprehensive economic, ecological and socio-cultural environment. Tourism is thus embedded in a dialectical relationship between a space of flows and a space of places. While the space of flows stimulates and facilitates the travel of tourists over ever larger distances, without the particularity, authenticity, and uniqueness of the space of places, tourism is nothing more than the leisure of boarding transport and staying in lodgings (or put otherwise: there would be no need or desire to travel). Therefore, the relation of both spaces is interdependent, while at the same time the interactions between them might create tensions. That is, the global flows of tourists and the tourism sector transform the spatiality of local communities, possibly contributing to forms of unequal development in such a way that economic interests counterbalance regionally ecological and socio-cultural values and thus economic-ecological/socio-cultural tensions occur. In the end, tourism is able to leave behind one place and move to a next one, without taking into account possible ecological and socio-cultural 'costs'. This leads us to the necessity to consider tourism from a much more integrated development process, supported by a more inclusive sustainable development concept.

## 2.5 Tourism and sustainable development

According to Grober (2007: 7), the concept of sustainable development was first introduced in the German forestry in 1713 by Hanns Caarly von Carlowitz who coined the term "nachhaltig", which in the middle of the 19<sup>th</sup> century was literally translated into English as "sustained yield." The original concept was about how to balance the production and consumption of timber, an important resource of that time, because there was the realization that timber was going to be scarce and this challenged related parties in European countries to discuss and find solutions to solve the shortage of timber. Duerr (1975, as cited in Grober, *ibid.*), an American expert on forestry explains the essence of "sustained yield" as follows: *"To fulfill our obligations to our descendents and to stabilize our communities, each generation should sustain its resources at a high level and hand them along undiminished. The sustained yield of timber is an aspect of man's most fundamental need: to sustain life itself."* It is clear that sustainable development in the modern sense is the only way to fulfill the needs of each generation. In March 1972 a small group of world scientists, known as the Club of Rome, published a report entitled "Limits to Growth." This report captured worldwide attention by indicating that within a matter of decades, the demand for the ecological resources that supplied the industrial society would exceed the limits of their availability and the limits to growth became clear with the OPEC oil crisis in 1973 (Mebratu, 1998). In June 1972, the first UN Conference on Human Environment (UNEP) held in Stockholm, Sweden, was rooted in the

pollution and acid rain problems of northern Europe, leading to the conflict between development and environmental protection (IISD, 2002, 2012). The question was raised whether environmental protection was more important than economic growth or vice versa. This question caused not only divided division in the thinking between the environmentalists and the (economist) development thinkers but also highlighted the difference in demands between developed nations emphasizing environmental protection by limiting economic growth and less developed focusing on economic growth and poverty reduction. The Secretary General of the UN appointed a “World Commission on Environment and Development” (WCED) in 1983, and asked Dr. Gro Harlem Brundtland, (former Minister of Environmental Affairs and former Prime Minister of Norway) to chair this commission, known as the Brundtland Commission. This commission made the concept of sustainable development (or sustainability) well-known in 1987 (Rist, 1997: 178). Regarding the imbalance and the tension between the environment and development, the Brundtland Commission acknowledged this special theme as follows:

“The environment does not exist as a sphere separate from human actions, ambitions, and needs, and, (sic) attempts to defend it in isolation from human concerns have given the very word ‘environment’ a connotation of naivety in some political circles. The word ‘development’ has also been narrowed by some into a very limited focus, along the lines of ‘what poor nations should do to become richer’ and thus again is automatically dismissed by many in the international arena as being a concern of specialists, of those involved in questions of ‘development assistance.’ But the ‘environment’ is where we live; and ‘development’ is what we all do in attempting to improve our lot within that abode. The two are inseparable.” (WCED, note 3 above, page xi, as cited in Kates, *et al*, 2005)

This argument was one of the driving forces behind the conceptualization of sustainable development because it embraces the concept that both the needs of underdeveloped nations and the needs for a balanced relationship between developmental and ecological concerns must be integrated within the global society (Sharpley, 2000). Sustainable development was defined in the Brundtland Report (“Our Common Future,” WCED, 1987) as: *“development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”*

Although the definition of sustainable development is standard in terms of a way to reconcile environmental interests and developmental interests and focuses on intergenerational equity, it has various dimensions and by definition is normative. As a result, its definition and meaning have been interpreted in various ways. Hunter (1997) introduces a way to interpret the field of sustainable development from two basic perspectives: anthropocentric and ecocentric (Table 2.1). According to Hunter, the anthropocentric approach takes human needs as its starting point; that is the whole system is

focused on providing the needs of human beings and is regarded as being very weak on the sustainable development continuum (resource exploitation). The ecocentric approach takes the ecological system as its starting position; that is, if the ecological system is endangered, the whole system fails. This is regarded as very strong on the sustainable development continuum (resource preservation). This interpretation clearly shows the root of sustainable development as it was before in forest management. In its normative definition, sustainable development is grounded on a concept that economic development can be sustainably integrated and balanced if it is taken up in a political context, or in other words, a political compromise (Sharpley, 2000).

Zoeteman and Tavenier (2012: 15-47) report how the sustainable development concept was recognized at the global level in the 1992 UN Conference on Environment and Development in Rio de Janeiro and has guided the UN's global development agenda. The main outcomes of the Rio Summit concerned The Rio Declaration on Environment and Development (27 principles of environment and development including the precautionary principle) and Agenda 21, the UN action plan to achieve sustainable development. The plan dealt with social and economic development, natural conservation and resource management, and strengthening the roles of global, national, and local stakeholders in sharing their commitment for sustainable development. Ten years later, the 2002 World Summit on Sustainable Development was held in Johannesburg, South Africa and the summit focused on sustainable development actions in which partnership initiatives (e.g. public-private partnerships) were designed to enable a larger role for international firms who could support sustainability practices through market forces. The latest Summit in 2012 was The Rio+20 Earth Summit emphasizing the concept of a green economy which pays attention to creating multidimensional growth (in the economic, social, and ecological dimensions), alleviating poverty, and coping with climate change by making necessary investments in the ecological dimension to support biodiversity and human survival (Zoeteman, 2012). Taken together, in essence sustainable development concerns a long-term development perspective which lies at the interface between socio-economic development and ecological protection (Lehtonen, 2004). Additionally, Zoeteman and Mommaas (2012: 55-56) argue how sustainability not only advocates the encouragement of a long-term perspective of inclusive growth, but also promotes a democratic decision-making process through the involvement of stakeholders, encourages the development of a cooperative sphere through horizontal policy integration, and supports the improvement of justice across generations and geographical frontiers.

**Table 2.1 The sustainable development continuum**

<b>Sustainability position</b>	<b>Defining characteristics</b>
Very weak	<ul style="list-style-type: none"> <li>• Anthropocentric and utilitarian</li> <li>• Growth oriented and resource exploitative</li> <li>• Infinite substitution possible between natural and human-made capital</li> <li>• Continued well-being assured through economic growth and technical innovation</li> <li>• Natural resources utilized at economically optimal rates through unfettered free markets operating to satisfy individual consumer choice</li> </ul>
Weak	<ul style="list-style-type: none"> <li>• Anthropocentric and utilitarian</li> <li>• Resource conservationist</li> <li>• Growth is managed and modified</li> <li>• Concern for distribution of development costs and benefits through intra- and inter-generational equity</li> <li>• Rejection of infinite substitution between natural and human-made capital with recognition of some aspects of natural world as critical capital (e.g. ozone layer, some natural ecosystems)</li> <li>• Human-made plus natural capital constant or rising through time</li> <li>• Decoupling of negative environmental impacts from economic growth</li> </ul>
Strong	<ul style="list-style-type: none"> <li>• (Eco)system perspective</li> <li>• Resource preservationist</li> <li>• Recognizes primary value of maintaining the functional integrity of ecosystem over and above secondary value through human resource utilization</li> <li>• Interests of the collective given more weight than those of the individual consumers</li> <li>• Adherence to intra- and inter-generational equity</li> <li>• Decoupling important but alongside a belief in a steady-state economy as a consequence of following the constant natural assets rule</li> <li>• Zero economic and human population growth</li> </ul>
Very strong	<ul style="list-style-type: none"> <li>• Bioethical and ecocentric</li> <li>• Resource preservationist to the point where utilization of natural resources is minimized</li> <li>• Nature's rights or intrinsic value in nature encompassing non-human living organisms and even abiotic elements under a literal interpretation of Gaianism</li> <li>• Anti-economic growth and reduced human population</li> </ul>

Source: Hunter, 1997

### **Tourism: A particular relationship with sustainable development**

According to In't Veld (2006), from the sustainable development point of view, tourism has a problematic relationship with air pollution from transportation and degradation of natural and cultural attractions in the destination. Based on In't Veld, we argue that tourism also leads to the depletion of fuel resources, and the dangerous degradation of nature and the cultural heritage because of little cooperation between organizations in the tourism (vertical) value chain. The movement of tourists, particularly on long-haul trips, accelerates

the depletion of fuel resources and at the same time generates a great deal of air pollution. Nature and cultural heritage degradation stems from the lack of cooperation and the short-term economic thinking found in the tourism sector which takes no account of the preservation and maintenance of natural and cultural attractions in an enduring, resilient, and non-cannibalistic way. That is, if left to itself, the tourism sector may act as an economic free rider using the natural assets and cultural heritage embedded in the region with little by the way of a reinvestment. The end result is that tourism may destroy the very assets on which it predominantly relies (Schianetz, *et al*, 2007; Mommaas, 2006). In't Veld (2006) refers to this as "tourism kills tourism."

## 2.6 Challenges

Although scholars (e.g. Delise, 2009; Yuzbasioglu *et al*, 2011; Jackson & Murphy, 2006) confirm the significance of tourism as a development tool for a region, it remains questionable whether tourism can sustain its role in supporting regional development, because of its heavy dependency on global flows of investments and the relative ease with which tourists can move tangible and intangible values in and out of a region. Thus, there is a lack of clarity as to whether tourism can even actually be a potential contributor to the long-term development goals of a region (Sharpley, 2000).

Building assessment tools into developmental processes may help in meeting these challenges, because assessment tools help to provide the current situation of the extent to which tourism contributes to regional development, and thus facilitate the decision making process of related parties concerning the destination management (e.g. strategic planning, implementation, and control). Hence, the assessment tool is one of the management methods that could drive the development of tourism to potential economic activity that responds to these mentioned challenges. Schianetz and Kavanagh (2010) specifically address the fact that little study has been regarding the use of tourism assessment tools to enhance the development of social well-being, even though tourism has a basic relationship with natural and cultural attractions located in a region. When it comes to natural and cultural conservation, a comprehensive assessment of the tourism system is imperative (Aronson, 1994). To fill this gap, we will apply and compare alternative assessment tools in different ways able to span the possible tensions between the global/economic and regional/socio-ecological.

In the next chapter, we will detail and compare two alternative assessment tools, one based on Porter's Diamond model (1990) and the other on the Telos Sustainability Balance Sheet or TSBS. Porter's Diamond model is adopted to present the economic development perspective and the TSBS is chosen to represent the sustainable development perspective. In so doing, we would like to see how each developmental perspective 'works' by applying them to the development of tourism in Ubon Ratchathani, our study area.



## **Chapter 3     A comparison of assessment tools: Porter's Diamond model versus the Telos Sustainability Balance Sheet**

The purpose of applying an assessment tool is to facilitate the management decision-making process in order to optimize the potential for the development of the most effective action. Since the information from the assessment tool measures the current development state of the subject (e.g. organizations, sectors, and regions), it provides information that we can use to identify potential problems and benefits at an early stage of development, and thus provide guidelines for future development planning (Johnsen *et al.*, 2003; Schianetz, 2007). Here, the primary objective of the assessment tool is to improve the development process by providing continuous feedback loops.

There are various assessment tools that can be applied to evaluate the advancement of regional tourism. Here, we have chosen for Porter's Diamond model (1990) and for the Telos Sustainability Balance Sheet (TSBS). Porter's Diamond model (1990) is applied in this study because of the fact that it is well known, much applied and based on clear perspective on the economic development of regions in a competitive global market. The TSBS is taken up here because of its foundation in sustainable development thinking, with a special focus on regional development (Hermans, *et al.*, 2011). Both thus in different ways address (interrelated) issues of the relationship between the local and the global and between the economic and the socio-cultural/ecological.

This chapter aims to compare these two assessment tools in more theoretical terms. Before comparing them, we will first look at the theoretical framework and significances of Porter's Diamond model (section 3.1), and next to those of the TSBS (section 3.2). Next, we will differentiate each assessment tool in terms of its conceptual and operational relevance (section 3.3) in order to gain insight into their respective developmental perspectives on stimulating the regional development of tourism. In section 3.4 we will deliver our conclusions.



### 3.1 Porter's Diamond model (1990)

In the late 1980s Michael Porter developed a model to assess and compare the international competitiveness (or interchangeably, competitive advantage) of nation states and regions. In his famous study, "The Competitive Advantage of Nations" (1990: 1), he raised the question "*Why do some nations succeed and others fail in international competition?*" To answer this, Porter conducted a four-year research project on the competitive success of ten leading trading nations namely: Denmark, Germany, Italy, Japan, Sweden, Switzerland, the United Kingdom, the USA, Korea, and Singapore. First, Porter mapped particular industries in these countries that were internationally successful by looking at their exports and/or outbound foreign investments. Second, Porter looked at the history of competition in such industries to analyze how the competitive advantage changed over time. The main findings were that the competitive advantage of nations is determined by four main competitive determinants, and that the competitiveness of nations goes through four stages. The competitive determinants concern: (1) factor conditions; (2) demand conditions; (3) related and supporting industries; and (4) firm strategy, structure, and rivalry. They directly support, interact, and improve each other and can be indirectly influenced by government actions and by chance<sup>12</sup>. Together they shape the competitive success of a nation or region and allow classification into four developmental stages: the factor-driven stage; the investment-driven stage; the innovation driven stage; and the wealth-driven stage. A nation/region usually progresses linearly through these stages of development.

In order to gain a clear insight into the developmental perspective of Porter's Diamond model on regional tourism, in comparison to the TSBS, we will restrict ourselves to the four direct determinants of competitive advantage with which the Porter model explains the national competitive advantage from a microeconomic point of view.

#### 3.1.1 The relationship of microeconomic-macroeconomic competitive advantage

Porter's Diamond model is rather unique among economic models since it looks at international competition from a microeconomic perspective instead of the conventional macroeconomic one. According to Smit (2010), in developing the Diamond model, Porter extends the analysis of competitive strategy from the firm level (called 'the Five force model') to the international level (called 'Competitive advantage') and links microeconomic competitive advantage to the macroeconomic system. To gain insight into how a firm's

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<sup>12</sup> Chance and government action influence the function of the four competitive determinants. The role of chance can either create or nullify the advantages of industries; they can be referred to as opportunities and threats. Some examples of chance are: wars and terrorism, surges in demand, shifts in financial markets or exchange rates, unpredictable oil shocks, technological discontinuities, unexpected world economic crisis, the outbreak of deadly viruses, climate change and environmental catastrophes, and so on. The role of government can also affect each of the main four determinants positively or negatively. For instance, subsidization policies, capital market policies, and educational policies could have positive or negative effects on the home-based factors. Regulation of advertising media may affect related and supporting industries. Tax policy and antitrust law can have an impact on firm strategy, structure, and rivalry. A demanding and sophisticated home demand could guide the government to introduce the regulation of safety standards.

competitive capability affects national competitive advantage, the theory behind Porter's notion starting from a competitive strategy at the firm level and moving to the competitive advantage at the national level will be described.

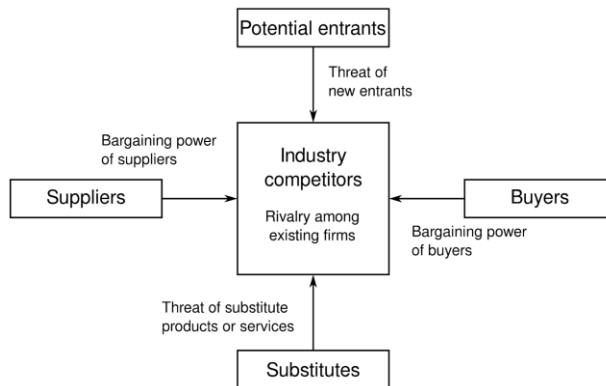
- *At the firm level:* In his book "Competitive Strategy" (1980) Porter introduced "the Five-force model" as a framework for analyzing an industry's competitive environment. The Five-forces are comprised of: the rivalry among existing competitors, the threat of new entrants, the threat of substitute products or services, the bargaining power of buyers, and the bargaining power of suppliers (see Figure 3.1). According to Porter (1990: 35), these five competitive forces determine the profitability of an industry, because they determine the prices firms can charge, the costs firms can pay, and the investment that is required by firms to compete with others. Stonehouse and Snowden (2007: 257) conclude from this concept that:

"...the potential for a firm to be profitable is negatively associated with increased competition, lower barriers to entry, a large number of substitutes, and increased bargaining power of customers and suppliers."

Together with the five competitive forces, Porter describes a "generic strategy" to guide business strategy development. The generic strategy consists of cost leadership, differentiation, and focus strategies which imply firms' market development and market positioning. For instance, a firm implementing the cost leadership strategy needs to gain a competitive advantage by reducing its overall costs through its efficient internal operations. Its products/services offered to customers are simple attributes that meet customers' needs in a low cost manner. A firm can achieve a competitive advantage by emphasizing the sale of a mass-produced product to gain a large number of customers. By contrast, a firm choosing to implement the differentiation strategy needs to obtain competitive advantage by presenting products perceived as having unique attributes in order to persuade customers to pay higher prices thus enhancing the price component. To achieve this, a firm seeks to differentiate itself from competitors by designing products/services that meet unique wants and needs of customers. In the case of a focus strategy, a firm can implement either the cost leadership or differentiation strategy and develop its products/service to meet niche market needs.

Taken together, according to Porter, a firm will improve its competitive advantage if its bargaining power is higher in these five competitive forces and at the same time the generic strategy guides it to position its market.

- *At the national level:* Porter postulated "the Diamond model" in 1990, ten years after presenting the Five force model, as an analytical tool to identify a national competitive environment that will influence the competitive advantage of particular industries in that nation. According to Porter, the competitive advantage of a nation is derived from the



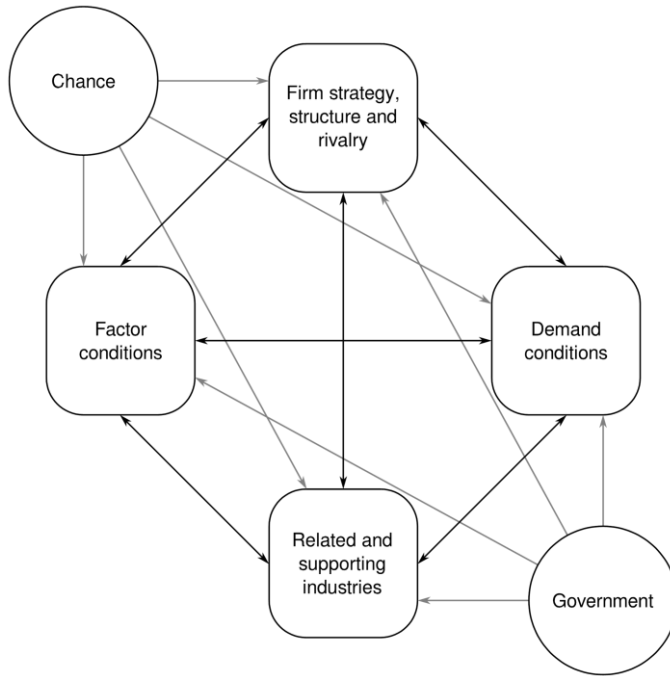
**Figure 3.1 The five competitive forces** (source: Porter, 1980)

competitive advantage of the industries/firms within it, because a nation itself does not compete, but rather its industries/firms. In addition, Porter explains how competitive advantage is determined through productivity: the efficient and effective deployment of production factors:

“The only meaningful concept of competitiveness at the national level is national productivity<sup>13</sup>... A rising standard of living depends on the capacity of a nation’s firms to achieve high levels of productivity and to increase productivity over time.” (Porter, 1990: 6)

This statement implies a certain interrelationship between micro- and macroeconomic elements of competitive advantage. That is to say, the sectors’ productivity determines the sectors’ competitiveness and hence the national productivity and the national competitiveness, leading to economic prosperity. An increase in the national productivity depends not only on the capabilities of firms (e.g. through the strategic implementation and competitive positioning) but also on the four competitive determinants that shape the environment in which firms compete at both national and international levels. According to Porter (1990, 1998), competitive advantage can be created by encouraging an increase in the sophistication of these four competitive determinants, together termed the Diamond model (Figure 3.2).

<sup>13</sup> According to Porter (1990), “Productivity is the value of the output produced by a unit of labor or capital....The productivity of human resources determines employee wages; the productivity with which capital is employed determines the return it earns for its holders.”



**Figure 3.2 The Diamond framework** (source: Porter, 1990)

### 3.1.2 Porter's Diamond model

According to Porter (1990), the Diamond framework includes four competitive determinants that play an important role in stimulating the sector to create productivity.

1. *Factor conditions*: These concern production inputs which are endowed in nations or regions and have a meaningful supply role in industry competition. Based on Porter (ibid: 74 – 75), they are grouped into five broad categories:

- *Human resources*: the quantity, the qualification level, skills, labor cost, standard working hours, work ethic, and so on;
- *Physical resources*: the natural resources, vegetation, climate, accessibility, geographic location and size, time zone, and so forth;
- *Knowledge resources*: the stock of scientific, technical, and market knowledge bearing on goods and services, and the quality of research in any organizations either in the public sector or the private sector;
- *Capital resources*: the stock of any form of capital resources deployed in nations and the cost of that capital;

- *Infrastructure*: the availability of low cost, quality infrastructure, (e.g. the systems of transportation and communication, mail and parcel delivery, payment or funds transfer, health care) that affect competition.

Porter (ibid: 77-79) distinguishes between production factors in terms of their level of sophistication and specificity. The sophistication level is classified into basic factors and advanced factors. Basic factors embrace climate, location, unskilled and semiskilled labor, and debt capital. Advanced factors comprise modern digital communications infrastructure, highly educated human resources, and knowledge and research institutes in sophisticated disciplines. While basic factors are inherited or require unsophisticated private and social investments, advanced factors are frequently built upon basic factors through an investment in both human resources (e.g. computer scientists and engineers) and physical capital (e.g. technology). The specificity level is divided into generalized factors and specialized factors. Generalized factors include a supply of debt capital, employees with college education, and a highway system. All of them can be utilized in a wide range of economic activities. Specialized factors cover specific infrastructures, narrowly skilled human resources, and particular and specific forms of knowledge with a limited range to a single industry. Examples given by Porter (ibid: 78) concern expertise in optics in a scientific institute or a cadre of skilled model makers for automobiles that make it difficult for other competitors to emulate. Further, regarding the level of sophistication, Porter argues that certain specialized factors which in former times used to offer competitive advantage to firms could become more general and less useful to uphold a competitive advantage because other firms can emulate them. Thus, Porter argues for a constant upgrading of production factors: sustainable competitiveness is obtained by a nation possessing both advanced factors and specialized factors.

2. *Demand conditions*: The demand conditions concern domestic demands. Porter (ibid: 87-92) indicates that the three main characteristics that affect firms' abilities to compete internationally include:

- *A segmented structure of demand*: Firms can gain a competitive advantage in global market segments if the market segments in the home nation are highly visible and sizeable compared to other nations.
- *Sophisticated and demanding customers*: Firms can be competitive if domestic customers are demanding and the world's most sophisticated for products or services. This characteristic will pressure firms to improve, to move into newer and more advanced segments, and to upgrade products/processes to meet these high standards.
- *Anticipatory customer needs*: Firms gain more advantage if domestic customers anticipate the needs of other nations' customers, giving an early warning indicator to firms to learn how to meet those anticipated needs. This mechanism will stimulate an upgrade of products/processes over time and this will convert home demand preferences to international demand preferences.

There are two issues to be raised with regard to the demand conditions. First, large domestic demand is not an advantage unless it encourages firms to continuously upgrade and innovate products/processes. Put in another way, a large market share of home demands may not be a global competitive advantage if firms enjoy unsophisticated domestic demands which will undermine dynamism and will lead to a stagnation of investment, resulting in an inability to sell globally. Secondly, a rapid domestic growth stimulates firms to invest and adopt new technologies faster. Additionally, a saturation of the home market may force firms to penetrate international markets in order for firms to continue to grow and fill capacity.

3. *Related and supporting industries*: The presence of competitive related and supporting industries in a nation helps firms create advantages through vertical relationships (supporting industries) and horizontal relationships (related industries). In terms of vertical relationships, supporting industries can supply efficient, early, rapid, and cost effective inputs. In the case of horizontal relationships, firms can coordinate and share activities (technology developments, production, marketing, distribution channels, and services) with related industries in the value chain. Good coordination can provide opportunities for technological interchange, information flow, and complementary products and/or services that will facilitate firms' abilities to gain a competitive advantage (Porter, *ibid*: 100-107).

4. *Firm strategy, structure, and rivalry*: This determinant looks at the context of national conditions, at how firms are established and managed, and what the nature of domestic competition is. Different nations have different styles of management practices concerning such issues as training, leadership, organizational style, the strength of individual initiatives, the decision making tools, the nature of customer relationships, the coordinating ability across functions, the attitude toward international activities, and the relationship between labor and management. Porter (*ibid*: 109) argues that there are some important aspects of a nation that influence the organization and management of firms. These aspects include attitudes toward authority, norms of interpersonal interaction, attitudes of workers toward management and vice versa, social norms of individualistic or group behavior, and professional standards. All of these are based upon a nation's educational system, social and religious history, family structures, and so forth. Further, a vigorous domestic rivalry not only sharpens firms' competitive advantage in a nation, but also stimulates firms to improve and upgrade their products/services to sell abroad with regard to growth strategies. In this case, domestic competitors force each other to lower prices, upgrade quality, produce new products and/or services, and look outward in order to obtain greater efficiency and higher profitability.

### 3.1.3 Significances of Porter's Diamond model

Although Porter's Diamond model (1990) has been the subject of much criticism especially from economic academia (see Davies & Ellis, 2000; Smit, 2010; Brouthers & Brouthers, 1997; Rugman, 1990, 1994b, 1996), from a developmental perspective it has been a highly influential analytical tool, which has also had its impact on shaping economic and social development policies and management. This is because of the following three reasons.

- *The transparent explanation of economic developments:* To explain his economic model, instead of using difficult mathematical tools like other traditional trade theories (Ketels, 2006; Motoyama, 2008), Porter chooses to use verbal descriptions to explain his international trade theory. Particularly, through combining the thinking of economics with management thought, Porter's Diamond model (also his previous work, "Competitive Strategy", 1980) has received much support from management schools. When the complexities of international trade are made transparent by using a microeconomic perspective, it is easier for policy makers, managers, and practitioners to share a perspective on the international competition of a nation's firms (Stonehouse and Snowdown, 2007). As a consequence, they come to common development strategies more easily.

- *An appropriate feedback loop for a competitive position:* Porter's Diamond model explains the fundamental structure of the competition among nations (or regions) from four home-based competitive determinants. By looking at the competitive advantage of nations from a microeconomic perspective, Porter is likely to interpret that an aggregation of firms makes up an industry, and the competitiveness of the nation is built upon the industries' competitive advantage which is measured by productivity. When thus applied, the model helps to identify not only sources of competitive advantage but also strengths and weaknesses of sectors/regions/nations in relation to other competitors at either domestic or international level. The analytical result contributes to changes for improving the internal development process to enhance the competitive status and the stage of development of any organization at any level: the industry, the region, and the nation. In addition, it provides the current stage of the internal development which can use for the purpose of benchmarking, comparing our development status with other competitors or organizations. Therefore, the analytical result derived from Porter's Diamond model gives a formulation of feedback loops in which information about how good the past or the present competitive position is. The formulation of feedback loops leads to the modification of the present or future phenomenon because the information is said to feed back into itself.

- *A clear direction for economic development strategies:* At the heart of many business strategy courses in management schools is the development of strategies following a "SWOT"<sup>14</sup> analysis. Porter's Diamond model is considered to be a well-established analytical framework

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<sup>14</sup> Strengths, Weaknesses, Opportunities, and Threats

for analysing SWOT for both sectors' and nations' competitive advantages. The results of a SWOT analysis point out sources of competitive (dis)advantage and contribute to the implications of future economic growth. In the practical setting, it facilitates policy makers to plan and formulate an economic development strategy in order to help firms compete competitively at both national and international levels.

### 3.2 The Telos Sustainability Balance Sheet (TSBS)

The Telos Sustainability Balance Sheet (TSBS) (Duurzaamheidbalans in Dutch) was developed in 1999 by Telos, the Brabant Centre for Sustainable Development, situated in The Netherlands. Guided by the sustainable development concept, the TSBS was developed as an instrument to assess the sustainability of the regional development of the Dutch province of Noord-Brabant. Telos defined sustainable development as a balanced increase, quantitatively and qualitatively, of three forms of capital: ecological, socio-cultural, and economic. These capitals represent values of ecological resilience, social solidarity/resilience, and economic efficiency (Knippenberg, *et al*, 2007). Regional stakeholders are involved in identifying the long-term development goals, requirements, indicators, and norms which form a part of the assessment tool. Thus, the tool is part and parcel of an integrated and participatory assessment process (Hermans & Knippenberg, 2006). Here, the view is that, because of its complexity, normativity, ambiguity, and subjectivity, the assistance of both scientists and social parties is required to come to a generalized concept of sustainability (Grosskurth, 2008: 26). As argued and defined by Knippenberg, *et al* (2007) the TSBS, thus, reflects a multilayered method that is integrated, interdisciplinary, interactive, strategic, normative, and indicative:

- “- Integrated: economic, social and ecological interests and considerations are all taken into account at the same time.
- Interdisciplinary: expertise from different scientific disciplines is integrated into one approach.
- Interactive: the involvement of all stakeholders, not only policy-makers and scientific experts, but social actors and professionals as well.
- Strategic: the focus is not on short-term problems, but on long-term sustainability requirements.
- Normative: (un)wanted long-term effects are made explicit, with the help of experts and stakeholders.
- Indicative: undesirable consequences or outcome are signalised.”

#### 3.2.1 Sustainable development and the TSBS

The sustainable development concept describes the juxtaposition of different objectives – “development” and “sustainability” (L'ÉLÉ, 1991). “Development” in terms of a Western-style modernization perspective, has often been considered a synonym for



economic growth, whereas “sustainability” often reflects environmentalist values (e.g. pollution abatement and natural resource preservation and enhancement) (Sharpley, 2000). According to Rostow (1960, as cited in Sharpley, *ibid.*), the essence of “development” from a modernization perspective, is economic growth, which needs mass consumption as a growth impulse, thus in many instances accelerating the depletion of natural resources. Environmental pollution which is linked to human health risks, together with the on-going depletion of non-renewable resources that leads to the inability of the ecological system to supply both food and non-renewable resources over time, challenged the Brundtland Commission to integrate environmental concerns and socioeconomic development at a global level (WECD, 1987).

The concept of sustainable development is contested and thus needs flexible ways of thinking to make the notion more feasible. This might be the reason why many scholars tend to provide definitions of sustainability in ways that suit their particular purposes, goals, priorities, applications, and vested interests (Voinov & Farley, 2006). Because of the inbuilt fuzziness of the concept, the amalgam of two different notions, Luke (1995: 21-22, as cited in Dobson, 1996) raises the questions: “sustainable for how long, sustainable for whom, sustainable for what level of human appropriation, sustainable under what conditions...” With these in mind, Dobson (1996) develops a typology of sustainable development (see Table 3.1) based on the question of what sustainable development is suppose to accomplish. This indicates that the sustainability concept can be interpreted in different ways to fit a spectrum of strategic applications.

Employing Dobson’s typology, the TSBS was developed by applying a principle-based approach using John Rawls’ justice theory, C.S. Holling’s resilience principle for dynamic adaptive systems, and notions of efficiency (Hermans & Knippenberg, 2006). The framework of the TSBS is based on the core idea that sustainability is a normative, political orientation, concerning the relationship between humans and their natural environment, and the relationship within and between generations. Knippenberg, *et al* (2007) suggest three criteria that need to be qualified when one speaks of sustainability. First, the development is integral; that is, there should be no undesired trade-offs between the three (economic, environmental, socio-cultural) domains. Second, it is required that the development is to be sustainable over time, throughout present and future generations. Third, development of one area should not result in trade-offs, in time, in space or between the three domains, pillars, or capitals. Furthermore, in an application of the TSBS to evaluate sustainability, stakeholder participation is crucial because they are the ones who define their needs and interests as well as weigh the progress of sustainable development for their own area.

**Table 3.1 A typology of sustainable development**

	<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>
What to sustain?	Aggregated total capital (human-made and natural)	Critic natural capital: e.g. 'ecological processes'	Irreversible natural capital	'Units of significance'
Why?	Human welfare (material)	Human welfare (material and aesthetic)	Human welfare (material and aesthetic) and obligations to nature	Obligations to nature
Objects of concern				
- Primary	1,3,2,4	1,2,3,4	(1,5) (2,6)	(5,1) (6,2)
- Secondary		5,6	3,4	3,4
Substitutability between human-made and natural capital	Considerable	Not between human-made capital and critical natural capital	Not between human-made capital and irreversible natural capital	Eschews the substitutability debate

**Source:** Dobson (1996:407)

**Key to numbers:** 1=present generation human needs      5=present generation non-human needs  
2=future generation human needs      4=future generation human wants  
3=present generation human wants      6=future generation non-human needs

**Implicit questions of justice:** 1. What is to be distributed?      2. Among whom?

### 3.2.2 Framework of the TSBS

According to Telos<sup>15</sup>, when discussing the concept of sustainable development, there are two basic approaches that Telos takes into consideration. The first is the physio-centric approach which takes the ecological system as a starting point. If the ecological system is endangered, then the whole system (economic and social) cannot function. Second, the anthropo-centric approach - begins with human needs; the whole system is focused on providing or fulfilling the needs of human beings, taking into account the requirement that following generations and other neighbors must also fulfill their needs. Based on Dobson's typology and a principle-based approach, Telos chooses the basic need of humans and takes a broad perspective on sustainable development by using both a strategic dimension (the long term) and a normative dimension (transferring responsibilities to multilevels of government, geographical regions, and future generations)

<sup>15</sup> Interview with John Dagevos, a senior researcher at Telos, the Brabant Centre for Sustainable Development, interviewed on 11 October, 2011.

Telos regards sustainable development as an ongoing development process, aimed at supporting a balanced development of the triple capital, presented in a more popular forms as the 3 P's: Profit (economic), Planet (ecological), and People (socio-cultural). In this approach all capitals are growing and any growth should not be the expense of other capitals. In other words, the ecological, social, and economic systems should be developed and balanced because the economic system provides income and at the same time the resilience of the ecological and social system is functioning, resulting in the optimization of the three capitals. Thus, the TSBS focuses on stimulating growth in the resilience and quality of nature (the ecological capital or the Planet dimension), in the physical and spiritual wellbeing of the people (the socio-cultural capital or the People dimension) and healthy economic development (the economic capital or the Profit dimension) (Hermans, *et al*, 2011). When defined as a system, each capital contains several subsystems, called "stocks" (see also topic 3.2.3 and Table 1 in Appendix 1) which are relevant to the development of that capital. The following elaboration briefly presents the relationship of each capital and its stocks.

1. *The ecological capital:* According to Telos, the most important goal of the ecological capital is the resilience of the ecological system and quality of nature. The ecological system consists of two elements: biotic and abiotic. The biotic elements are all living organisms (e.g. plants and animals) here referred to as nature. Telos considers that taking care of nature includes taking care that biodiversity is not damaged. The abiotic elements include soil, air, water (surface water and deep ground water), and Telos is concerned that all of these abiotic elements should be clean and abundant enough to fulfill human needs. In the soil, there are minerals which are important in terms of productive function (e.g. the production of crops). The soil will be unproductive if minerals are taken out of it. Landscape is another thing that represents the experience of humans with nature because it is related to how humans' surroundings and environment are developed.

2. *The socio-cultural capital:* Telos considers the social capital as part of the social system on the one hand and human wellbeing on the other. The most important thing in the social system is that people participate in social, political, and economic processes. Therefore, the main goal of the socio-cultural capital is that people have the freedom/right to participate and are able to access means to participate (or the freedom/right to participate – have the possibility to be oneself, to behave, and to live how ones are). Participation is important for freedom because it has something to do with the social justice which concerns the possibility of the people to show who and how they are (e.g. identity and diversity, solidarity, citizenship, etc.). It also depends on the people's access to means (e.g. the education system, health and health care system, safety, living conditions, and art and cultural heritage). These means enable people to participate. Thus, freedom and social justice are driving forces or value underneath the social system. In a certain sense, the social system has two levels; the means level and the value level. The means level is much less debated but the value level is

very much debated because most people in the world want similar things such as education, house, health care, etc. but the value level is the meta-level which depends upon the cultural background and the way people think about their social system.

3. *The economic capital:* Finally, Telos argues that the economy is based on the use of scarce means and production factors including labor, capital goods, knowledge, and raw materials which are used in the production process. Telos realizes that the economic production takes place in space which is about quality, so that the spatial conditions play a key role because the spatial conditions are about accessibility, infrastructure, transportation system, industrial sites, offices, etc. Another important thing that Telos takes into account is an economic structure in which all of the money is earned within the existing economic structure. The composition of the economic structure is mentioned in terms of initiatives or new start-up firms, and the possibility of the economic structure to renew itself (resilience). Therefore, in the economic structure Telos looks at the existing economic structure (e.g. the number of start-up firms, the number of large and medium firms) and its renewal capability to enable it to permanently compete with other regions.

As previously mentioned, the TSBS has its foundation in integrated (sustainable) development with a regional focus, looking at how the economic capital, the ecological capital, and the socio-cultural capital in the region interact with one another and whether such interactions make the region stronger or weaker in relation to other regions. In other words, the context of comparison between regions is the quality of the region depending on two things; the strength of the regional environment on the one hand and the strength of regional economic structure (the existence and growth of capable and competitive firms) on the other hand. Thus, the strength of the region is not found in any single capital (e.g. the economic capital), but rather it is about the whole picture in which each capital is a balanced part of the whole region. To give an example, when people decide to come to live and work (or invest) in a particular region, they are likely to come, not because of low costs, but because of the good environment of the region (e.g. productive soil, the availability of clean air/water/soil) which supports the production and services provided to people. So that, the ecological capital (e.g. the quality of nature and the landscape) and the socio-cultural capital (e.g. safety, availability of quality labor, non-discrimination, and decent living conditions) are also assets strengthening not only the quality of the regional environment but also the efficiency of regional economy. In a certain sense, we might learn from the lesson of the BOI promotion zones in Thailand where the lower costs of land and labor in the outlying regions could not attract investors because of the lack of the availability of the production factors (e.g. high skilled labor, advanced knowledge and financial institutions) and the regional production environment (e.g. spatial conditions and the quality of the landscape). As a result, this regional development plan is unlikely to succeed.

Therefore, the integrated regional development of the TSBS represents a complete illustration of a region where all capitals are interrelated. To simplify, soil, water, and air are not only part of the ecological system, but also part of the transportation system which is related to spatial conditions in the economic production. Also, minerals and their quality are production inputs in the economic process, therefore the quality of them must be maintained as well. In the end the interaction of the economic capital and the ecological capital also related to the socio-cultural capital, for example, the landscape. As human beings, we like to have a good landscape and influence it by both the economic and social systems. We influence the development of the quality of the landscape which is part of the ecological capital as we build houses, farms, buildings, and industrial sites. Here, we can say it is economic development, but at the same time how we improve and judge the quality of landscape by how we look at it is part of the socio-cultural and ecological capital. However, in reality, the economic capital as such has influenced the ecological system because it is using the ecological resources and also producing negative impacts (e.g. traffic congestion, air/water pollution, soil contamination) on the ecological system. This impacts the house where the socio-cultural capital is developing because it is about how human beings use the ecological capital. As a consequence, the development of a region can be uneven. To make regional development more even from the perspective of the TSBS is to include the socio-cultural and the ecological systems in the economic perspective because the economy is earning the money to support the other systems, and we can for instance, invest money in taking care of the soil, to be clean and productive. This will contribute to long term development since the people can have better lives when their society produces income and possesses good environmental and social environments.

### 3.2.3 The TSBS method

The TSBS is a method to more comprehensively analyze economic, ecological, and socio-cultural developments. To emphasize the equal role of each dimension, the term “*capital*” is used to represent each dimension. In each capital, there are various elements called *stocks* which are used to determine the quantitative and qualitative development of each capital as a whole. Each stock has a set of *indicators* which are used to measure whether certain requirements (or long-term goals) with regard to a certain stock are met. To illustrate, the development of the indicators over time, and thus the stocks, provides a description of a certain direction to develop in order to reach the (optimal) target/norm and goal<sup>16</sup>. *Requirements* reflect the qualitative long-term goals resulting from stakeholder involvement in the monitoring process (which can be done in forms of workshops, group discussions, or interviews), and/or sometimes using a science/literature based approach. This implies that through the involvement of stakeholders, not only can the common shared desirable future of their region be defined, but also stocks, indicators, and norms can be changed, depending on the context, place, time and scale, and stakeholders and experts participating

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<sup>16</sup> goal (defined by stakeholders) that optimizes the balanced development of economic, ecological, and socio-cultural capitals.

**Table 3.2 The relevant terms involved in the TSBS**

Term	Description
Capital	The three essential parts or subsystems of the total social system: the ecological, socio-cultural, and economic parts
Stock	The essential elements which together determine the quality and quantity of a capital
Indicators	Measurements which can be used to operationalize the requirements.
Requirements	The long-term goals which are formulated for the development of a stock.
Norms	Set standards by means of which we can assess the scores from indicators.

**Source:** Handboek Toetsingskader Duurzame Ontwikkeling, 2009

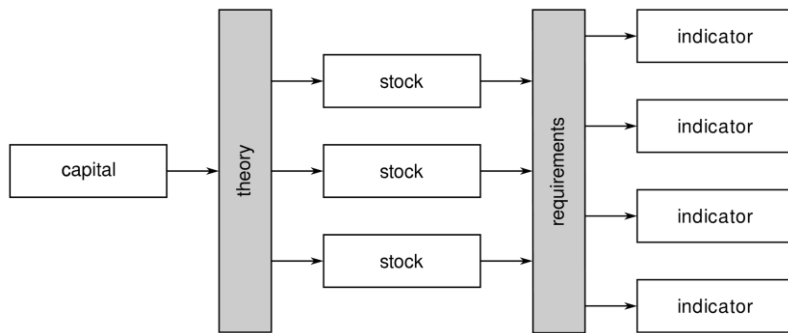
(Knippenberg, *et al*, 2007). *Norms* are described as standards which are set for the indicators to be assessed. Table 3.2 defines the relevant terms used in the TSBS method, and Figure 3.3 presents the relationship between capital, stocks, requirements, and indicators. For more information on the evaluation procedure of the Telos method, see Appendix 1.

### 3.2.4 Significances of the TSBS

Three significant features of the TSBS can be distinguished:

- *The comprehensive approach:* Many sustainability tools already exist but, according to Sue-Mot (2004, as cited in Adetunji, 2005), only a few are capable of simultaneously addressing the ecological, economic, and social dimensions and involving stakeholders at the same time. The TSBS is one of the few comprehensive assessment tools that has been established to bridge the 3P scientific with normative/inter-subjective elements. This makes the TSBS an interactive and policy rich tool, leading to the commitment of regional stakeholders to making decisions and be responsible for avoiding undesired long-term effects (Hermans, *et al*, 2011; Knippenberg, *et al*, 2007).

- *The practical feedback loop for sustainable development:* The TSBS can be considered a managerial tool that not only facilitates sustainable development through the inclusive assessment of economic, ecological, and socio-cultural dimensions, but also encourages a social learning process through regional stakeholder involvement. From the perspective of an incremental managerial approach, the TSBS explicitly provides a benchmarking system enabling checking the current status of sustainable regional development by means of comparisons with policy documents, over time, with other regions, and with the results of stakeholder discussions (via a normative and political approach). What should be sustainable, what are the norms of sustainable development, how can they be measured, and how can we use the results to give us an understanding of sustainable development in a particular place? These are the topics to discuss to generate a common shared strategic agenda. In this



**Figure 3.3 The connection between capital, stocks, requirements and indicators**

(Source: Telos, De Duurzaamheidbalans van Brabant 2006)

context, the translation of the complex concept of sustainable development into a practical-pragmatic and involvement based analytical framework is the most significant contribution of the TSBS.

- *A clear direction for a long-term development strategy:* If the TSBS were to be used as a long-term strategy for regional development, it would emphasize stakeholder involvement because regional stakeholders are the ones who know, understand, and feel the challenges in their region. For this reason, they should define their own vision and set norms in order to measure the quality of their region's development. Thus this process strengthens the democratic quality of the society. To simplify, regional stakeholders participate in the process of strategic regional development; they analyze their own problems (SWOT analysis), decide on their desired future (vision and long-term goal formulation), are involved in norm or standardization development (strategic implementation), and engaged in the feedback loop for sustainable development (strategic control). In this way, a clear path for strategic sustainable regional development is designed up front that provides practical guidelines to achieve optimal sustainability. Furthermore, the engagement of regional stakeholders in the process of formulating their own future in the monitoring system contributes to regional knowledge development.

### 3.3 Differences between assessment tools

Section 3.1 and 3.2 dealt with Porter's Diamond model and the TSBS as two examples of different developmental assessment tools: one based on an economic development approach and the other on a comprehensive sustainable development approach. Whereas the TSBS has not yet been employed to assess the sustainable development of tourism, Porter's Diamond model has been extensively applied to assess the competitiveness of national and regional tourism (see, for example, Bobirca & Cristureanu, 2008; Gomezelj & Mihalić, 2008;

Miller *et al*, 2008, Navickas & Malakauskaite, 2009). To better understand their differences, we will briefly identify their distinctions in terms of their theoretical base and their application in assessing tourism development.

### 3.3.1 Conceptual relevance

Based on their different developmental perspectives, we classify the differences between the two assessment tools into five main categories: 1) underlying assumptions and goals, 2) theoretical origins, 3) conceptual structure, 4) analysis and strategy development, and 5) potential outcomes (see Table 3.3).

1. *Underlying assumptions and goals:* The basis of Porter's Diamond model is an economic perspective, whereas the foundation of the TSBS is the more sustainable development perspective. The economic perspective of Porter's Diamond model has its starting point in the main question "why and how are internationally successful industries in particular nations more competitive than others at the global level?" Porter strictly looks at economic growth by searching for ways to make a nation more competitive through an increase in productivity, first of all indicating a specialization and rationalization of the utilization of resources. Based upon his specific economic perspective, Porter's Diamond model is about market-based development and as a result, the national standard of living improves through the enhancement of economic prosperity. In contrast to this, the sustainability-oriented perspective of the TSBS begins with the question "how can areas (regions) develop themselves through space and time in a more sustainable way?" The TSBS has an emphasis on more multidimensional forms of growth by looking at the balance between economic, ecological, and socio-cultural development. Based on this particular view, the TSBS is first of all about the development of regions as comprehensive realities, as 'places.' Hence, compared to Porter's Diamond model, the underlying developmental concept of the TSBS is broader in terms of time horizon and comprehensiveness with its focal point on the interaction between economic, ecological, and socio-cultural forms of development. In the end the TSBS is about a generic sense of a quality of life of people, including values of economic development, but also considering the relationship of those results to social and ecological interests and vice versa.

2. *Theoretical origin:* Porter's Diamond model and the TSBS have different theoretical bases; while Porter's Diamond model bases its theory upon economic and management thinking, the TSBS bases its approach on stakeholders who in the end define requirements. Besides, their main difference concerns the type of theories included in each model. While Porter's Diamond model is based on economic insight alone, the TSBS combines insights from the disciplines of economics, the social sciences, and ecology, resulting in a more multidisciplinary approach.



**Table 3.3 Essential differences of theoretical frameworks: Porter's Diamond model vs. the TSBS**

Categories	Criteria	Porter's Diamond model	The TSBS
<b>Underlying assumption and goal</b>	Underlying assumption	Economic competitive advantage	Sustainable development
	Main question	Why and how industries and hence nations gain more competitive advantage than others at the global scale?	How can regions develop in a sustainable way through space and time?
	Goal	Increased standard of living for people through the economic competitiveness of nations	Increased quality of life for people through the sustainable development concept
<b>Theoretical origin</b>	Theoretical origin	Economic theory/mono-disciplinary approach	Sustainable development concept/multidisciplinary approach
	Method	History-based study of successful international sectors	Principle-based and political-based approaches
<b>Conceptual Structure</b>	Content	Four competitive components determining competitive advantage: 1) factor conditions, 2) demand conditions, 3) related and supporting industries, and 4) firm strategy, structure, and rivalry	Three main capitals determining sustainable development: 1) economic capital, 2) ecological capital, and 3) socio-cultural capital
	Relation with markets	Explicit analysis in terms of demand conditions	Implicit analysis in terms of economic structure
	Relation within industry	Focus on the role of firms/industry and rivalry structure, related and supporting industries	Implicitly elaborate in the network element in the triangle cycle (e.g. collaboration between entrepreneurs and ecological movements)
	Relation with external business environments	Considers chances from external environments (e.g. exchange rate, economic crisis)	No assumption
	Role of government	Facilitator influencing either catalyses or constraints to firms'/industries' competitiveness	Either facilitator or participant as a stakeholder in the strategic agenda setting and the monitoring system

**Table 3.3 Essential differences of theoretical frameworks: Porter's Diamond model vs. the TSBS (continued)**

Categories	Criteria	Porter's Diamond model	The TSBS
<b>Analysis and strategy development</b>	Application	Analytical tool	Analytical and practical tool
	Level of analysis	A sector (in a nation)	A region
	Result of analysis and time horizon (formulation of strategy)	Provision of an economic snapshot of the sector / nation at the present time	Provision of a combination of sustainable development snapshots of the region in the present day on the basis of long-term guidelines to improve the development of region inclusively
	Source of long-term goals	Norm development based upon universalized and generalized economic (capitalism) thinking	Vision and norm development based on regional stakeholders' perspective
<b>Outcome</b>	Equity	Ecological and socio-cultural values are reduced, compared to the economic value	Economic, ecological, and socio-cultural values are treated equally
	Value creation	Economic value is gained through knowledge and social investment	Economic value is gained through ecological and socio-cultural investment

Source: this study

3. *Conceptual Structure:* Each model has its own conceptual structure. In the Diamond model, Porter introduces four direct competitive determinants: 1) factor conditions, 2) demand conditions, 3) related and supporting industries, and 4) structure, firm strategy, and rivalry. All determinants are used to establish economic competitive advantage, indicating an economic focus that considers relations with markets (or demand conditions), other horizontally and vertically related supporting industries, and external business environments (chance and the government's role). Conversely, TSBS concentrates its attention to increasing the quantity and quality of the three capitals in which each capital includes stocks (and indicators) used to determine a certain level of sustainable development. All indicators in each stock are used to measure the degree to which long-term goals are met, pointing to the local/regional space as a platform of capital integration or interdependency. The TSBS framework does not explicitly indicate relations with markets, other industries, and the external business environment as does Porter's Diamond model, but some of these issues are implied in the monitoring system in terms of economic structure and network development. Hence, it can be concluded that while Porter's Diamond model focuses on the functionality of regional economic processes in the global context, the TSBS focuses on the integrated functioning of a locality/region in the context of a comprehensive set of not only economic but also social and ecological values.

4. *Analysis and strategy development:* The basic function of both assessment tools is identifying strengths and weaknesses of the bounded realities (e.g. sectors/regions) which are assessed. Porter's Diamond model is an analytical tool applicable to both sector and area scales. However, it treats the economic performance of a region as the outcome of the competitive performance of the firms within it; that is the performance of a region is reduced to its economic functionality in terms of the economic performance of the firms within it. Conversely, TSBS treats the functioning of a region from a more integrated and comprehensive perspective, without prioritizing any of the functionalities of economic, ecological, and socio-cultural infrastructures. From a time horizon perspective, the analysis in terms of Porter's Diamond model provides a picture of the current economic competitive position of a sector/area, while the TSBS perspective delivers a more inclusive developmental position from the perspective of long-term goals formulated by stakeholders. This points to a subsequent difference between assessment tools in that the TSBS tool requires an involvement of stakeholders in the monitoring system, whereas Porter's Diamond model is presented as a universal and general tool, based upon a supposedly objective assessment of the business situation. Thus, Porter's Diamond model can be considered as an 'external', analytical assessment tool. By contrast, TSBS really engage stakeholders in the process of defining the foundational norms, and can thus be regarded as a more collaborative or learning based assessment tool. Stakeholders participate in the discussion workshop, define their common shared vision, and develop their own norms and standards. By doing so, they generate their own indicators to define and measure sustainable development in their region, based on the democratic principle in action. Therefore, the TSBS is both an analytical, and an interactive tool. The tool is not only regarded as an assessment instrument, but also an instrument of knowledge and ownership development.

5. *Outcomes:* In the application of these models, we should see different outcomes. Theoretically, we can see the impacts from the application of these contrasting developmental perspectives in terms of equity and value creation. In case of equity, Porter's Diamond model regards ecological and socio-cultural resources as production factors to be used to create economic value, possibly at the expense of the environment and the society/culture if necessary. On the other hand, from the TSBS perspective considering only the economic system leads to its domination of the other dimensions resulting in the depletion and degradation of the ecological and socio-cultural dimensions. The TSBS therefore gives attention to the optimum multidimensional growth in which development is not maximizing a specific aspect, but rather including and optimizing all aspects and aimed at a balanced development of economic efficiency, ecological resilience, and social well-being. In case of value creation, in Porter's Diamond model (1990: 80-81), in order to create value, the investment in knowledge resources (e.g. research investment or innovation investment) and human resources (e.g. skill training and education) is crucial and perhaps the most important factor in increasing productivity and competitive capability of firms (and nations). When human resources and knowledge resources have been continuously advanced

and specialized, firms can sustain a competitive position, resulting in national economic efficiency. From the perspective of the TSBS, Porter focusing on economic efficiency takes into account the socio-cultural sustainability as investments in human resources and knowledge resources are a key to improve the sustainable national competitiveness. Furthermore, the economic value creation in Porter's Diamond model neglects environmental and social costs resulting from interactions between dimensions in the economic process. The TSBS explicitly takes into consideration these costs (e.g. the air/water/noise pollution, the deterioration and depletion of natural resources, the unhealthy physical and mental conditions of human, and the social safety problems).

### 3.3.2 The application of tools in assessing tourism developments

Because neither Porter's Diamond model nor the TSBS have their roots in tourism specifically, applying them to assess tourism developments needs an act of translation and/or adaptation. Below, we elaborate on how they are applied in terms of (1) their contextual concepts, (2) the normative foundations, (3) their operationalization, and (4) the type of data required (see Table 3.4).

1. *The contextual concept:* Based on Castells (1989), tourism is structured on the relationships between the space of flows and the space of places (see also Chapter 2). As part of the space of flows, tourism works as a dynamic cluster of globalizing travel and tourism enterprises that needs to compete with different tourist regions based on their tourist service quality, pointing to the competitive level of tourism firms in the world system. For this reason, from a flow-based perspective, Porter's Diamond model is a suitable tool to analyze the dynamic process by which the tourism cluster creates its competitive advantage. As part of the space of places, tourism has to relate itself to other dynamics, social, cultural, economic and ecological. Therefore, at the destination level, it is unavoidable that the interactions between "flows" and "places" resulting from tourism generate both positive and negative impacts economically, socially, and ecologically. For this reason, when looked upon

**Table 3.4 Essential differences of application of assessment tools in tourism**

Criteria	Porter's Diamond model	Telos Sustainability Balance Sheet (TSBS)
1. Contextual concept	Flow-based perspective	Place-based perspective
2. Normative foundation	Implicit stakeholders involvement	Explicit stakeholder involvement
3. Operationalization	Single-tier translation	Double-tier translation
4. Data requirement	Economic data	Economic, ecological, and socio-cultural data

Source: this study

from a place-based perspective, an assessment tool that embraces the multidimensional fairness issue is needed and the TSBS meets this requirement, as it provides the framework to more comprehensively examine the consequences of the interactions between “flow” and “place” based on a more inclusive developmental logic that is not only economic, but also ecological and socio-cultural. Thus, both assessment tools are considered very useful for investigating the quality of regional tourism, even though they approach the issue from different developmental perspectives.

2. *The foundation of the norms:* These tools are different in terms of their monitoring procedure, especially with regard to their normative foundation. The Diamond framework is developed on the basis of economic theory, with the implicit involvement of stakeholders because its norm is used to benchmark the economic competitiveness of the tourism sector in each region. In contrast, the TSBS framework is established from diverse ranges of norms including both various theories (e.g. economic, social, and ecological) and the involvement of regional stakeholders. Hence, its analytical results cover a broader range of information than just economic efficiency because the TSBS looks at the quality of life of people rather than focusing on wealth creation; social justice and ecological resilience are also confronted from a long term strategic perspective in the development of a region since everyone wants to live and work (or invest) in the nice environment where an equal opportunity is opened, air/water/soil is clean, and the landscape is beautiful. This suggests that the involvement of stakeholders is essential when applying the TSBS, pointing out the explicit political norm.

3. *The operationalization:* When operationalizing Porter’s Diamond model and the TSBS, we need to translate both frameworks to the sector level. Because of its dependence on readily discernible economic and management factors, Porter’s Diamond model can be directly translated into the sphere of tourism to analyze the competitiveness of the tourism industry in a specific location. This is viewed as a single-tier translation. It should be noted here that the Diamond model is applicable at either national/regional or sector levels. Conversely, the TSBS cannot be directly transported into tourism because tourism is perceived as only one of the economic sectors from the lens of a regional development policy. Also, attention must be paid to how tourism contributes to the sustainable development of the region; in other words, the TSBS is focused on analyzing the tourism sector in the context of a specific regional setting. The operationalization process of TSBS thus starts with specific characteristics of the region (e.g. air, ground/ surface water, soil, noise, other physical conditions, health, and education) and then the extractions and contributions of the tourism sector within that. We can regard this translation from the region to the sector perspective as needing a double-tier procedure.

4. *The data requirements:* When gathering data, all economic data to fulfil the indicator system of Porter’s Diamond model (four competitive determinants) are essential. Economic data required in the model must answer questions such as: 1) What are the region’s existing

assets and resources (factor conditions); 2) How effective is cooperation in the tourism value chain (related and supporting industries); 3) What are the characteristics of tourists visiting the region (demand conditions); and 4) How is the regional tourism production climate?; What are the competition structures and the relationships at firm and policy levels (firm strategy, structure, and rivalry)? In contrast, TSBS needs more inclusive data on economic, ecological, and socio-cultural capitals to answer the question "What is the contribution of the tourism sector to the fulfilment of the particular TSBS requirements?" All capitals incorporate stocks in which long-term requirements are included. All stock requirements therefore need to be operationalized in tourism related terms (see also Chapter 4).

### 3.4 Conclusion

In this chapter, we have presented Porter's Diamond model and the TSBS and compared them in terms of their essential theoretical and practical properties. Although each assessment tool has a different way of thinking about development, together their differentiated characteristics might help related parties select a more fine-tuned development perspective in order to formulate a suitable tourism development strategy based on the observed existing situation.

#### a. Theoretical spirit

Porter's Diamond model is an economic-oriented tool centered on notions of global competitive advantage. It significantly helps us understand the nature of economic competition based on four home-based determinants. These home based determinants include factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry which affect firms' competitive capabilities. The more sophisticated the home-based environment is in terms of these factor conditions, the more a firm gains competitive advantage in relation to other firms/nations/regions. Therefore, the economic competitiveness of a nation or region can be created and sustained through the improvement of a firm's productivity.

On the other hand, the TSBS is a sustainability-oriented tool centered on more comprehensive notions of the quality of life of a regional population. It tackles the complex sustainable development concept and provides a method to practically apply it. Hence, its main focus is on multidimensional forms of development (the economic, the social, and the ecological) through stakeholder engagement. Due to its integral and balanced development concept, the TSBS emphasizes long-term development goals: economic efficiency, ecological resilience, and social well-being in space and through time and the interaction between them.

b. Practical essence

Porter's Diamond model has an explicit theory-based foundation (economic and management thinking) and implicit norm; it requires measurements of economic data, and can apply at either the sector or the regional level. The TSBS has a foundation that is explicitly both theory-based (multidisciplinary approach) and norms-based (the strategic and normative dimension), which is applied at regional level. It needs economic, ecological, and socio-cultural data to evaluate the overall quality of regional development. When applied to tourism, both assessment tools require a translation from their abstract (theoretical) framework to practical indicators. However, whereas Porter's Diamond model has been widely adopted in evaluating the competitiveness of tourism, the TSBS is completely new at assessing the quality of tourism and thus is relatively more complicated to apply in terms of not only indicator and data requirements but also the engagement of stakeholders in building up the monitoring system.

## Chapter 4    Research methodology

In the former, we have made the assumption that the application of specific assessment tools, based on specific developmental perspectives, will lead to specific consequences, in this case, a certain development strategy for regional tourism. In other words, we believe that different assessment tools will be able to influence the strategic direction of regional tourism development differently. In order to analyze this, we took the development of tourism in Ubon Ratchathani as our unit of study and made a comparative analysis of two different assessment tools, based on different developmental perspectives. Thus, we formulated the main research question as:

*How can we assess the development state of Ubon Ratchathani tourism by applying Porter's Diamond model and the TSBS and thus give direction to the regional development of tourism for policy makers and tourism related parties?*

This “how” type of research question points not only to the “real-life context” of investigation which is part of the attributes of a case study research (Yin, 2009: 18), but also to the way to look at regional tourism development perspectives through the lens of the assessment tools that implies two steps in the research design: applying two assessment tools of different perspectives and a comparison of the two. As stated by Yin (ibid.), a case study is defined as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context” and thus, it relies on plentiful data, implying a requirement for multiple sources of data to draw the deep and real-life phenomenon (Yin, 2003: 4). In order to meet our research interest, we need a variety of empirical evidences and multiple sources of data to explore the development of Ubon Ratchathani tourism profoundly. To gather this, we employed mixed methodologies, both quantitative and qualitative, and presented each application and analytical result of each assessment tool as separate case studies before making a comparative case study. Figure 4.1 presents the link between the steps in this study and research questions (RQ).



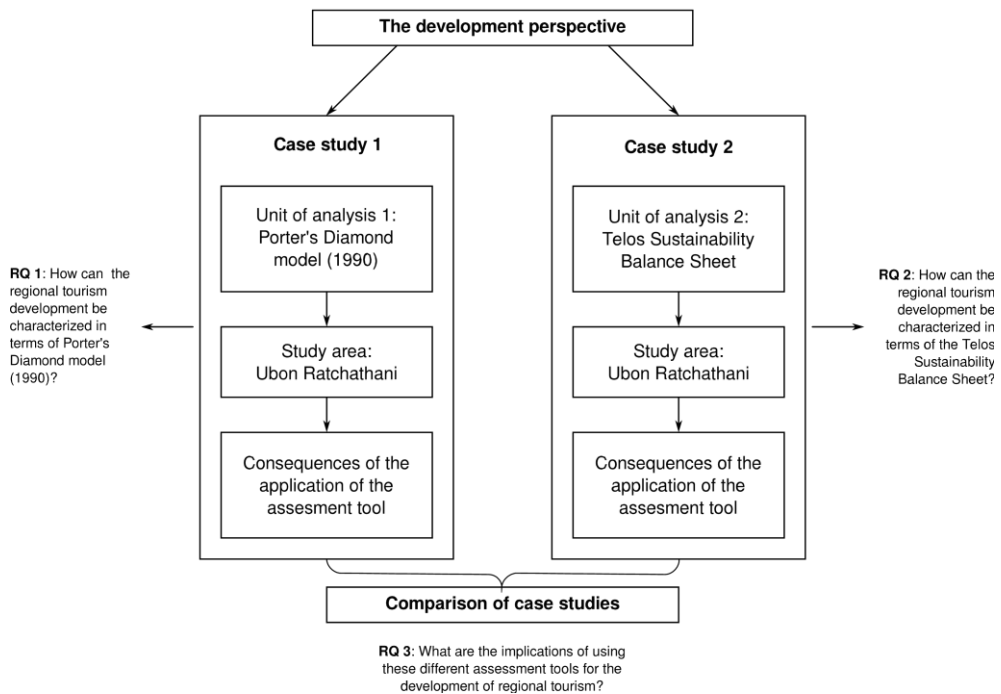


Figure 4.1 Visualization of the research design: the comparative case study

## 4.1 Operationalization of assessment tools

We operationalized Porter's Diamond model and the TSBS model in relation to our focus on regional tourism system in terms of sets of practical indicators (see Table 4.1 and 4.2). In this operationalization/translation process, we tried to do as much as possible justice to the theoretical foundations underlying both models.

### 4.1.1 Operationalization of Porter's Diamond model

Porter's Diamond model is an assessment tool applicable to either a sector or area (see also Chapter 3), and thus we were able to straightaway operationalize Porter's Diamond model from theoretical concepts into practical indicators in order to evaluate the development of the tourism sector. We operationalized the four competitive advantage conditions of the Diamond model as follow:

1. *Factor conditions:* we researched whether the factor conditions were available and of high enough quality to assist tourism firms in increasing their competitive capabilities.

- *Physical resources:* Theoretically, physical resources concern the geographical characteristics of the region that affect firms' costs (e.g. transportation). Adapting them

to the development of tourism, they were operationalized in terms of regional physical characteristics (the climate, the landscape, and the location) and of the availability of tourism products (natural/cultural attractions).

- *Human resources:* Human resources concern the quantity and skills of personnel and whether personnel costs can be borne by firms. In relation to tourism, we operationalized this in terms of the supply and demand of tourism labor, the quality of tourism employees (in terms of educational levels), the opportunities for skills improvement that could lead to service quality improvement and the cost of tourism employees (wages and other benefits).
- *Knowledge resources:* The primary objective is to examine whether 1) there are knowledge resources available and 2) there is investment in knowledge creation by firms to help in upgrading product/service quality. Based on this, we operationalized the first indicator (knowledge resources) in terms of the presence of knowledge institutions and research and training projects related to tourism, and the second indicator in terms of the level of knowledge investment in the tourism sector.
- *Capital resources:* We operationalized capital resources in terms of the availability of financial institutions able to facilitate financial services for tourism firms.
- *Infrastructure:* Here, we looked at the availability and quality of transportation infrastructure and tourism facilities.

2. *Related and supporting industries:* The objective is to look into whether or not tourism suppliers are available and if available, how tourism firms work together. Therefore, related and supporting industries were operationalized in terms of as the presence of tourism related industries and collaborative practices in the tourism value chain. Here, we looked at tourism firms' contacts, and the frequency thereof.

3. *Demand conditions:* The availability of sophisticated, demanding, and anticipatory groups of customers is essential because of their importance in driving and stimulating firms to continuously upgrade their quality and develop their market. Here, we aimed at the quantity and quality of visitors by operationalizing this determinant in terms of the quantity of visitors, visitor spending power (expenditure and length of stay), and visitor motivation and evaluation.

4. *Firm strategy, structure, and rivalry:* The objective is to understand the structure of the tourism industry, its competition environment, and its strategies to compete. This also relates to the influence of the government relevant to regional tourism development and hence we took the role of government into account to explore how the relationship between the public and private (tourism) sectors. Here, we operationalized them in terms of the firm production climate (at the firm level), the governance structure (at the policy level), and the interdependence of firm and policy levels.

Table 4.1 Operationalization of Porter's Diamond model

Determinants / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
<b>1. Factor conditions: <i>What are availability and quality of factor conditions of tourism in Ubon Ratchathani?</i></b>				
1.1 Physical resources	Characteristics of physical resources:	The availability of endowed tourism resources:	-	-
	- Geography (e.g. location, climate landscape, river, accessibility, power sources, natural resources, water, mineral, etc.)	- The generic physical traits of the region (e.g. location, landscape, river, and climate)	-	Sec. data
		- The availability of tourism products (attractions)	-	Sec. data
1.2 Human resources	- Quantity	- Tourism labor: supply and demand	-	-
		a) Supply for tourism labor	-	Survey
		b) Demand of tourism labor	-	Survey
	- Skills	- The quality of tourism employees and the improvement of service quality	-	Sur/Iv.
		a) Educational level	-	Survey
		b) Foreign language skills	-	Interview
		c) Hospitality service skills	-	Interview
		d) Technical skills	-	Interview
		f) Training opportunities	-	Survey
	- Cost	- The cost of tourism employees	-	Sur/Ex. Iv.
		a) Average minimum wage rate	-	Survey
		b) Average maximum wage rate	-	Survey
		c) Benefits/welfare/career path	-	Sur/Iv.
		Benefits of tourism labor	UA	-
1.3 Knowledge resources	- Stock of scientific, technical, and market knowledge in supporting the industry	- The presence of knowledge resources (at the government level)	-	
		a) Research project availability	-	Sec. data
		b) Training project availability	-	Sec. data

Table 4.1 Operationalization of Porter's Diamond model (continued)

Determinants / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
<b>1. Factor conditions: <i>What are availability and quality of factor conditions of tourism in Ubon Ratchathani?</i></b>				
1.3 Knowledge resources	- Investment of the industry in innovation and knowledge creation	- The level of investment in knowledge development by the tourism sector	-	Iv/Ex. Iv.
1.4 Capital resources	- Amount and cost of capital available to finance the tourism sector	-	UA	-
	-	- The availability of financial institutions	-	Sec. data
	-	- Financial loan practices	-	Sur/Iv.
1.5 Infrastructure	- Type of infrastructure available	- The availability of transportation infrastructure and tourism facilities	-	Sec. data
	- Quality of infrastructure available	- The quality of transportation infrastructure and tourism facilities	-	Ex. Iv.
	- User cost of infrastructure available	-	UA	-
<b>2 Related and supporting industries: <i>Are industries related to and supporting tourism available in Ubon Ratchathani, and if so, what are they and how do they work together in the cluster?</i></b>				
	- Availability of related and supporting industries	- The presence of related industries	-	Sec. data
	- Cooperation in the cluster	- Collaborative practices in the tourism value chain	-	Sur/Iv.
<b>3. Demand conditions: <i>How is quantity and quality of demand conditions in tourism in Ubon Ratchathani?</i></b>				
	- Segment structure of home demand	- The quantity of visitors	-	-
		a) Number of domestic visitors	-	Sec. data
		b) Number of international visitors	-	Sec. data
	- Sophisticated and demanding visitors	- Visitor spending power	-	-
		a) Average expenditure per day of domestic visitors	-	Sec. data

Table 4.1 Operationalization of Porter's Diamond model (continued)

Determinants / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
<b>3. Demand conditions: <i>How is quantity and quality of demand conditions in tourism in Ubon Ratchathani?</i></b>				
	- Sophisticated and demanding visitors	b) Average expenditure per day of international visitors	-	Sec. data
		c) Average length of stay of domestic visitors	-	Sec. data
		d) Average length of stay of international visitors	-	Sec. data
	- Availability of anticipated visitor needs	-	UA	-
	- Pattern of growth of home demand (e.g. number of independent visitors that stimulate innovation in tourism)	-	UA	-
	-	- the motivation and evaluation of visitors	-	Sec. data
<b>4. Firm strategy, structure, and rivalry: <i>How is the structure, rivalry, and strategy of tourism in Ubon Ratchathani?</i></b>				
	- Organization of firms	- The production climate (at the firm level)	-	-
	a) Attitudes toward authority	-	UA	-
	b) Norms of interpersonal interaction	-	UA	-
	c) Attitudes of staff toward management and vice versa	-	UA	-
	d) Professional standards	-	UA	-
	e) Goals of individual and firm	-	UA	-

Table 4.1 Operationalization of Porter's Diamond model (continued)

Determinants / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
<b>4. Firm strategy, structure, and rivalry: <i>How is the structure, rivalry, and strategy of tourism in Ubon Ratchathani?</i></b>				
-		a) The tourism structure: firm type, ownership, residency of a firm's founder, relationship of the founder and the current manager, educational background of the manager, number of staff, financial structure, attributes of the firm, target customer, and nature of business operation	-	Sur/Iv.
- The pattern of domestic rivalry		b) The rivalry environment	-	Iv.
- Management (strategy) of firms		c) The strategy	-	Iv.
-		- The governance structure (at the policy level)	-	Sec. data/ Ex. Iv.
-		- The interaction between firm and policy levels	-	-
-		a) Top-down relationships	-	Ex. Iv/Iv.
-		b) Bottom-up relationships	-	Ex. Iv.
-		c) Horizontal relationships	-	Ex. Iv.

**Remark:** 1. In the "Data left out" column, UA = Unavailable data at the regional level, and BE = Available data but beyond our empirical capability  
 2. Sec. data = Secondary data, Sur = Survey, Iv. = Entrepreneur interview, and Ex. Iv. = Expert interview

#### 4.1.2 Operationalization of the TSBS model

The TSBS model primarily concerns an area-based assessment tool, which also takes stakeholders' perspectives into account (see also Chapter 3). Thus, when we adapted the TSBS to assess the state of the Ubon Ratchathani tourism sector we needed to 'translate' its indicators from the regional level to the sector level. In addition, because of time and cost limitations, we could not include a group based regional stakeholder consultation with regard to developmental criteria. In our operationalization process, we looked for tourism sector indicators through the lens of their effect on regional sustainability conditions as expressed in the TSBS model. Practically, we did this by first, adjusting some stocks to fit the context of our study area, and second, adapting requirements to variables able to assess the tourism sector as such.

1. *The adjustment of stocks:* Based on the attributes of the study area we considered what types of stocks were relevant to give us a clear impression of tourism developments. We proceeded with each capital as follows:

- In the domain of economic capital, we included 1) capital goods, 2) labor, 3) knowledge, 4) economic structure, 5) spatial conditions, 6) energy, and 7) infrastructure. We combined stocks 5) and 7) to spatial location conditions, considering the accessibility and accommodation infrastructure of tourism. At the same time, we classified stock 6) into one of the stocks of ecological capital, in the context of tourism, focusing on the relationship of tourism with the environment.
- In the domain of ecological capital, we included 1) nature, 2) air, 3) surface water, 4) ground water, 5) the minerals, 6) the landscape, and 7) the soil. We adapted stock 1) to “nature and biodiversity”, stock 2) to “air quality and noise”, stock 3) and 4) together to “water”, stock 5) to “(non)-renewable materials and energy”, and removed stock 7) because we could not find a relevant link between local tourism and its impact on the regional soil conditions.
- Seven stocks were included under socio-cultural capital: 1) social participation, 2) economic and political participation, 3) health, 4) education, 5) living conditions, 6) safety, and (7) art and cultural heritage. To make these stocks fit the specific case of the tourism sector, we integrated stock 1) with 2) and presented it in the form of “economic and social participation in tourism.”

2. *The adaptation of requirements:* In order to come to practical indicators without regional stakeholder participation, we applied the requirements as derived from stakeholder participations in Noord-Brabant, the Netherlands (see Table 2 in Appendix 1). This was based on our assumption that these requirements reflected more or less generic human aspirations. For instance, everyone generally wants to have a good quality of life (e.g. be healthy, have clean water and air, have a good environment and living conditions, etc.). These universal requirements guided us to look at whether and/or how tourism firms in Ubon Ratchathani incorporated these economic, ecological, and socio-cultural requirements in their business practices. Although the requirements and the categories of stocks related were partially adopted from the TSBS, we kept in mind that the indicators operationalized also have to be appropriate for investigating the quality of the tourism sector in the region studied.

Since the overall aim of using the TSBS model in our study was to describe the phenomenon on how the tourism sector in the study area has interacted with the regional environment (ecological and socio-cultural entities), we look at the extent to which the tourism sector takes into account the economic, ecological, and socio-cultural capitals. In doing that, we used the same economic data system as the Diamond model but we adapted

some of items in accordance with the objective of the TSBS. As for the ecological and social data system, “yes or no” questions as well as measures of the motivation to act were used to determine to what extent and how the tourism sector contributes to the requirements indicated (see Table 4.2).

After having defined our data requirements, we looked at sources of data that might serve our assessment purposes. Due to the cost and time constraint, we primarily focused on archival records (e.g. official records, publications, and websites). However, just before our fieldwork stage (May 20, 2010), a political riot occurred in our study area, which resulted in an arson attack on the provincial hall. This resulted in the destruction of the provincial database system. This caused us to consider 1) whether the data existed elsewhere, and 2) whether it was accessible and adequate. Some of the data could be recovered from other sources, but some had to be included in our empirical research, for example, number of workers from the neighboring countries. A majority of the “quantity” indicators (e.g. the availability of tourism products, the presence of knowledge resources, etc.) concerned secondary data and most of the “quality” indicators (e.g. the quality of tourism employees and infrastructure, etc.) were primary data (see section 4.2.1). During our observation period, we also considered whether or not the primary data collection was beyond our empirical capability. Data that were beyond our capability to gather, due to our limited resources are presented as “Data left out” (gaps between theoretical data and practical data) and “Optional methods” (the possible data collection methods applied in our study) in the last two columns of Table 4.1 and 4.2.



Table 4.2 Operationalization of the TSBS

Capital and stocks / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
Economic Capital				
1. Capital goods: <i>How are the capital goods of tourism in Ubon Ratchathani, presented in terms of the (re)investment in the regional economy?</i>				
	- Quantity and quality of man-made goods (such as machinery, buildings, and machine) available to produce products and services in the regional economic system	1.1 The level of (re)investment by the tourism sector in local economy		-
		a) Support of local economic cycle	-	Survey
		b) Types of business expansion	-	Survey
		c) Financial structure of investment	-	Survey
		1.2 The level of business cooperation for new investment	-	-
		a) Content of relationship	-	Survey
		b) Frequency of contact	-	Survey
	- The investment level of the tourism sector	-	BE	-
	- Degree of spend in local community	-	UA	-
	- Trust in the tourism sector	-	UA	-
2. Labor: <i>How does the tourism labor market in Ubon Ratchathani function?</i>				
	- The availability of equity of labor in accessing the labor market, the balance in both quantity and quality of the labor supply and the labor demand, and the good labor conditions (i.e., safety and health) that make the economic system function.	2.1 The access to tourism firms for different labor groups	-	-
		a) Number of men and women working in the tourism sector	-	Survey
		b) Number of elderly (+55 years) working in the tourism sector	-	Survey
		c) Number of the disabled working in the tourism sector	-	Survey

Table 4.2 Operationalization of the TSBS (continued)

Capital and stocks / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
<i>2. Labor: How does the tourism labor market in Ubon Ratchathani function?</i>				
		2.2 The overall function of the touristic labor market in the region	-	-
		a) Number of workers born in Ubon Ratchathani	-	Survey
		b) Number of workers from the neighboring countries	-	Survey
		c) Health condition of labor	-	Survey
		d) Difficulty to fulfill tourism vacancy for specific position	-	Iv.
		e) Proportion of labor force in each sector in labor market	-	Sec. data
<i>3. Knowledge: To what degree in the tourism sector in Ubon Ratchathani knowledge is available, developed and created?</i>				
	- The availability, development, and creation of knowledge that lead to new product/process development in the regional tourism	3.1 The quality of tourism labor force	-	-
		a) Educational level of tourism labor	-	Survey
		3.2 The level of knowledge and skill development	-	-
		a) Number of tourism firms promoting further study for employees	-	Survey
		b) Number of tourism firms providing training opportunities	-	Survey
		3.3 The attention to knowledge creation by tourism entrepreneurs	-	-
		a) Number of tourism firms investing in developing new products	-	Sur/Iv.
		b) The level of knowledge transfer between firms and knowledge institutions	-	Sur/Iv.

Table 4.2 Operationalization of the TSBS (continued)

Capital and stocks / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
3. Knowledge: <i>To what degree in the tourism sector in Ubon Ratchathani knowledge is available, developed and created?</i>				
	- The number of tourism firms developing their strategies/products	-	UA	-
	- R & D intensity in the tourism sector	-	UA	-
4. Economic structure: <i>To what degree the tourism sector in Ubon Ratchathani contributes to the resilient regional economy?</i>				
	- The composition of a large number of and various types of the economic activities influences the strength of the regional economic system	4.1 GPP per capita	-	Sec. data
		4.2 The contribution of tourism to the GPP in Ubon Ratchathani	-	Sec. data
		4.3 Number of tourism start-up firms	-	Sec.data/ Sur
		4.4 Number of visitors	-	Sec. data
		4.5 Visitor's expenditure (average per day)	-	Sec. data
	- Share of tourism started firms	-	UA	-
	- Market share of tourism firms with innovation	-	BE	-
5. Spatial location conditions: <i>How are the spatial location conditions of Ubon Ratchathani that can facilitate the going on of tourism?</i>				
	- The availability and quality of all forms of infrastructure can facilitate tourism	5.1 The public transport infrastructure	-	-
		a) Number of air passengers	-	Sec. data
		b) Number of rail passengers	-	Sec. data
		c) Number of fixed-route registered buses	-	Sec. data
		5.2 The accommodation infrastructure	-	-
		a) Number of rooms available	-	Sec. data

Table 4.2 Operationalization of the TSBS (continued)

Capital and stocks / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
5. Spatial location conditions: <i>How are the spatial location conditions of Ubon Ratchathani that can facilitate the going on of tourism?</i>				
	- The quality of public transport and accommodation infrastructure	-	UA	-
<b>Ecological capital</b>				
1. Nature and biodiversity: <i>To what extent the tourism sector in Ubon Ratchathani contributes to the quality of the natural environment?</i>				
	- An increase and the maintenance level of biodiversity	1.1 The level of investment by the tourism sector in nature development	-	Sur/Iv.
		1.2 The participation of the tourism firms in nature conservation or preservation groups	-	Sur/Iv.
		1.3 The stewardship of nature in Ubon Ratchathani by tourism entrepreneurs	-	Sur/Iv.
	- Number of endangered species	-	BE	-
	- Number of forest species	-	BE	-
	- Number of new nature area	-	UA	-
	- Number of souvenirs made from wildlife, vegetation, and rare plant	-	UA	-
2. Air quality and noise: <i>To what extent the tourism sector in Ubon Ratchathani contributes to the improvement of air quality and noise pollution?</i>				
	- The improvement of the quality of the climate and the reduction of noise pollution	2.1 The availability of environmentally friendly products/processes	-	Sur/Iv.
		2.2 The emission of greenhouse gases	-	Sur/Iv.
		2.3 The level of noise pollution protection	-	Sur/Iv.

Table 4.2 Operationalization of the TSBS (continued)

Capital and stocks / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
2. Air quality and noise: <i>To what extent the tourism sector in Ubon Ratchabani contributes to the improvement of air quality and noise pollution reduction?</i>				
	- The level of support of environment-friendly forms of transportation	-	UA	-
	- The reduction of emission/noise from tourism activities	-	UA	-
3. Water: <i>How does the tourism sector in Ubon Ratchabani interact with water resources?</i>				
	- The availability of clean and sufficient water resources for human and wildlife	3.1 The existence of water saving strategies	-	Sur/Iv.
		3.2 The provision of education on water saving for tourists	-	Sur/Iv.
		3.3 Water pollution management	-	Sur/Iv.
	- Amount of water used in tourism	-	UA	-
	- The reduction level of the input of pollutants into water	-	UA	-
	- The level of ground water on sites	-	BE	-
4. (Non)-renewable material and energy: <i>How does the tourism sector in Ubon Ratchabani take (non)-renewable material and energy into account?</i>				
	- Reduction of the use of (non)-renewable material and energy and promotion of the re-use of materials	4.1 The level of reduction of (non)-renewable materials	-	Sur/Iv.
		4.2 The level of energy saving	-	Sur/Iv.
		4.3 The waste management	-	Sur/Iv.
	- Recycling rate (or renewable material used)	-	UA	-
	- Percentage of energy (bio-fuel, electricity, and so on) used	-	UA	-
	- The use of alternative energies (e.g. solar, wind, biomass, and so on)	-	UA	-

Table 4.2 Operationalization of the TSBS (continued)

Capital and stocks / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
5. Quality of the landscape: <i>How does the tourism sector in Ubon Ratchathani contribute to the quality of the landscape?</i>				
	- The attractiveness of landscape and the sufficient level of protection and preservation of official natural and cultural areas	5.1 The level of investment by tourism firms in landscape quality	-	Sur/Iv.
		5.2 The cooperation level between tourism firms and the wider community to maintain landscape qualities	-	Sur/Iv.
	- Zoning plan for historic/cultural area	-	BE	-
	- Upgrading of existing infrastructure	-	BE	-
<b>Socio-cultural capital</b>				
1. Economic and social participation: <i>To what extent the tourism sector in Ubon Ratchathani contributes to the economic and social participation?</i>				
	- The presence of the poverty prevention, personal identity, and solidarity	1.1 The (un)employment and poverty prevention	-	Sur/Iv.
		1.2 The involvement in society of tourism firms	-	Sur/Iv.
	- Number of poor households	-	BE	-
	- Number of tourism firms participating in and contributing to voluntary services	-	UA	-
2. Health: <i>To what extent the tourism sector in Ubon Ratchathani supports health and safety for both tourism employees and tourists?</i>				
	- Satisfaction with mental and physical health and the availability of good health care system	2.1 The availability of health care provision in the tourism sector	-	Sur/Iv.
		2.2 The level of promotion of safe working condition	-	Sur/Iv.

Table 4.2 Operationalization of the TSBS (continued)

Capital and stocks / Sub-research questions	Theoretical data	Practical data	Data left out	Optional methods
<i>3. Education: To what extent the tourism sector in Ubon Ratchabani promotes educational development for employees?</i>				
	- Presence of individual self-development that ensures either social needs or self-respect	3.1 The promotion of life-long learning for tourism employees	-	Sur/Iv.
	- Number of qualified staff working in the tourism sector	-	UA	-
	- Complaint rates of visitors	-	UA	-
<i>4. Living conditions: To what extent the tourism sector in Ubon Ratchabani contributes to the improvement of living conditions?</i>				
	- Possibility to access public facilities and satisfaction with home surroundings of the population	4.1 The development of living conditions	-	Ex.Iv.
		4.2 The perception of noise/smell/litter problems generated by tourism	-	Ex.Iv.
	- Satisfaction with living environment	-	UA	-
<i>5. Safety: How does the tourism sector in Ubon Ratchabani take the social safety into account?</i>				
	- Reduction of concerns with risks (violence, accidents, disasters, etc.) and perception of unsafe conditions	5.1 The responsibility of the tourism sector to social safety	-	Iv.
	- Victim of violence or accident or burglary in the tourism sector	-	UA	-
<i>6. Art and cultural heritage: How does the tourism sector in Ubon Ratchabani engage in the promotion of art and cultural heritage preservation?</i>				
	- The preservation of art and cultural heritage and the active and passive use of culture	6.1 The level of active involvement of tourism entrepreneurs in art and cultural heritage preservation	-	Sur/Iv.
		6.2 The level of maintenance of cultural heritage of tourism firms	-	Sur/Iv.
<b>Remark:</b>	1. In the "Data left out" column, UA = Unavailable data at the regional level, and BE = Available data but beyond our empirical capability 2. Sec. data = Secondary data, Sur = Survey, Iv. = Entrepreneur interview, and Ex. Iv. = Expert interview			

## 4.2 Collecting case study data and the analytical procedure

**Backdrop:** As previously mentioned, we first of all focused on archival records which could give us the most meaningful, systematic data for the tourism assessment. In so doing, we encountered three further problems. First, due to a public administration reform, TAT is no longer responsible for the tourism statistics information. This resulted in fragmented, scattered, and outdated tourism data at the regional level. Second, unsystematic database systems at both national and regional levels made it difficult to find some essential data (e.g. a measure of tourism labor supply/demand). Third, data available in the statistical office of the study area mostly included economic data, whereas ecological and socio-cultural data related to tourism hardly appeared at all. All of these issues required us to gather the primary data ourselves. This section thus concerns how we collected the primary data required by the indicator systems of the different assessment tools, where we gathered them, and how we analyzed the results.

### 4.2.1 Collecting comparative case study evidence

To gain the necessary in-depth understanding of the developmental stage of tourism, in terms of the two distinguished assessment tools, we used mixed methods to gather both quantitative and qualitative data.

*a. Quantitative method:* We conducted a quantitative survey to gather numerical data

- *Population:* The quantitative survey was based on a data set from TAT, consisting of 105 tourism firms. We excluded 12 accommodation firms situated in National Parks and military areas because of their non-commercial character. Thus, our population consisted of 93 tourism based firms.

- *Research instrument:* A questionnaire<sup>17</sup> was constructed derived from the respective indicator systems. It was designed along the lines of a structured interview with nominal scales as the unit of measurement.

- *Data collection procedure:* During the period of June – August 2010, questionnaire interviews with 93 tourism entrepreneurs were conducted by fourth-year bachelor degree students from the Department of Hospitality Management, Ubon Ratchathani University. We trained students on how to collect data and provided them with letters informing the tourism entrepreneurs of the purpose of our study. We also made a checklist of students paired with the tourism entrepreneurs whose names appeared on the list of TAT, and controlled the internal validity of the returned questionnaires by

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<sup>17</sup> The questions in the questionnaire have been derived directly from the operationalisation of the indicators. Because the phrasings of the questions is similar to the phrasings of the indicators the questionnaire is not included in this book. If necessary the questionnaire can be requested from the author (narahuttasin@gmail.com).



confirming with the tourism entrepreneurs that the interview had taken place. Students reported that 6 tourism firms could not be located (5 accommodation firms and 1 tour operator) and 6 tourism entrepreneurs did not wish to participate (4 accommodation providers and 2 tour operators). During this period, we discovered through students that they knew of 14 tourism firms which were newly established (7 accommodation firms and 7 tour operators) while not yet listed on the TAT frame list. To replace the 12 tourism firms not interviewed from the original list, students collected data from these new tourism firms. Thus, we collected data from 95 tourism firms. In the end, 83 of the questionnaires returned by the students (87% response rate) were considered complete.

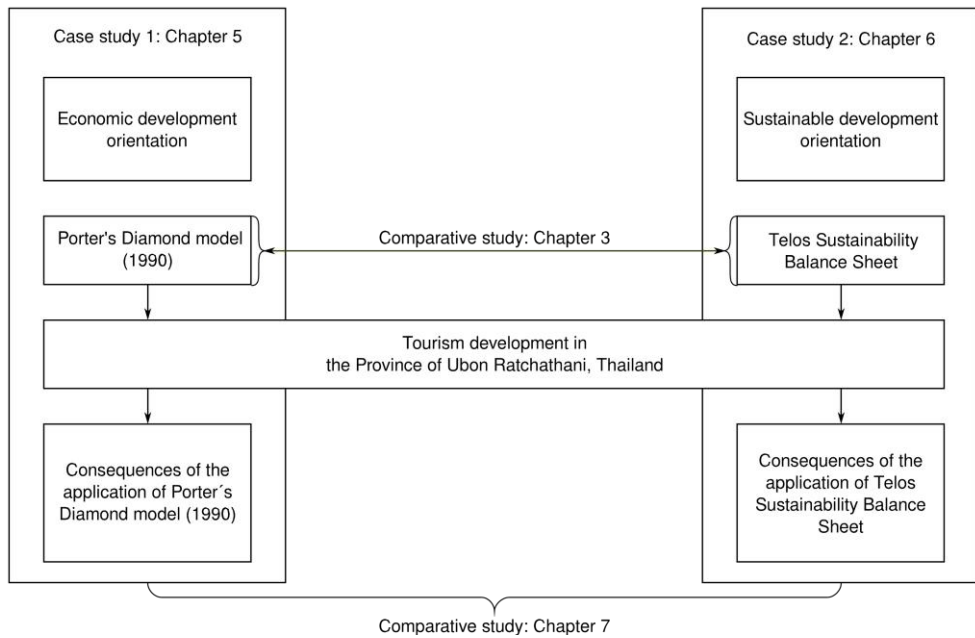
*b. Qualitative method:* To examine the reasons, processes, motivations, evaluations, and policies of these tourism firms, qualitative data concerning “why” and “how” type of information was gathered by conducting in-depth interviews with two groups of interviewees: tourism entrepreneurs and tourism informants.

- *In-depth interviews with local tourism entrepreneurs:* We used semi-structured interviews with 33 tourism entrepreneurs (22 accommodation providers and 11 tour operators) whose firms were judged to have a good reputation in the study area. Appointments were made with all tourism entrepreneurs to ensure that they would be able to give us sufficient information by letting us interview them for about 1-1.5 hours. With the permission of these 33 tourism entrepreneurs (see Appendix 2), we recorded and transcribed each interview. Each interview transcript could be examined by the interviewee to ensure its internal validity. Questions included, for instance, how tourism entrepreneurs positioned their business and how they balanced their interests with regard to economic, ecological, and social dimensions.

- *In-depth interviews with tourism informants:* To ensure the accuracy of information and insure the external validity of our work, we conducted in-depth interviews with 13 key tourism informants in the study area (see Appendix 2). Like tourism entrepreneurs, all tourism informants allowed us to record the interviews, which lasted at least one hour. Each interview was also transcribed. Questions were related to their views on the strengths and weaknesses, the threats and opportunities in relation to tourism development in the area.

#### **4.2.2 Analytical procedure**

*Analysis procedure:* Our quantitative data were derived from the 83 questionnaires, based on nominal scales. The statistical analysis involved descriptive statistics, such as frequencies and percentages. The qualitative data were based on transcriptions of in-depth, semi-structured interviews with 33 tourism entrepreneurs (Iv.) and 13 tourism informants (Inf.). The analysis of the qualitative data relied on the theoretical frameworks of Porter’s Diamond model and the TSBS model.



**Figure 4.2 Conceptual model**

### 4.3 Conceptual model

The conceptual model of this study emphasizes a comparative analysis of development perspectives on regional tourism, through their respective assessment tools. In our case studies, the development perspectives included an economic oriented model and a sustainability oriented model. We aimed to compare them by means of an application of the respective assessment tools in the province of Ubon Ratchathani, Thailand. The results of the comparative case study could contribute to a more informed development perspective on regional tourism development. Figure 4.2 provides a diagrammatic overview of the conceptual model of this study.



## Chapter 5     Assessing the tourism system: Porter's Diamond model

This chapter aims to describe the application of Porter's Diamond model in assessing the development stage of tourism in the province of Ubon Ratchathani, Thailand. Through this, we would like to study and experience how to apply it and what the consequences are in terms of assessing the situation, and building a regional development strategy. The two main questions formulated are:

1. *How can Porter's Diamond model be applied in assessing tourism development in Ubon Ratchathani?*
2. *What are the implications in terms of the result of the assessment and in terms of suggestions for a further strategy development?*

### 5.1     Tourism assessment

Porter's Diamond model is focused on four factors that, according to him, determine the competitiveness of a region: (1) factor conditions, (2) related and supporting industries, (3) demand conditions, and (4) firm strategy, structure, and rivalry (see Chapter 3). In the following, we will describe the results from assessing each of them.

#### 5.1.1     Factor conditions

Porter (1990: 256) contends that factor conditions include physical, human, knowledge, and capital resources, and infrastructure (see Chapter 3). Because the Diamond model was not designed for tourism as such, we added cultural resources (which concern predominantly cultural heritage sites with a long history) to the category of physical resources. According to Porter (1990: 74), the availability of these resources and the rate at which they are upgraded contribute to the competitive quality of a destination. Following this notion, we investigated their availability and the extent to which the tourism sector efficiently uses them and continues to improve their quality.

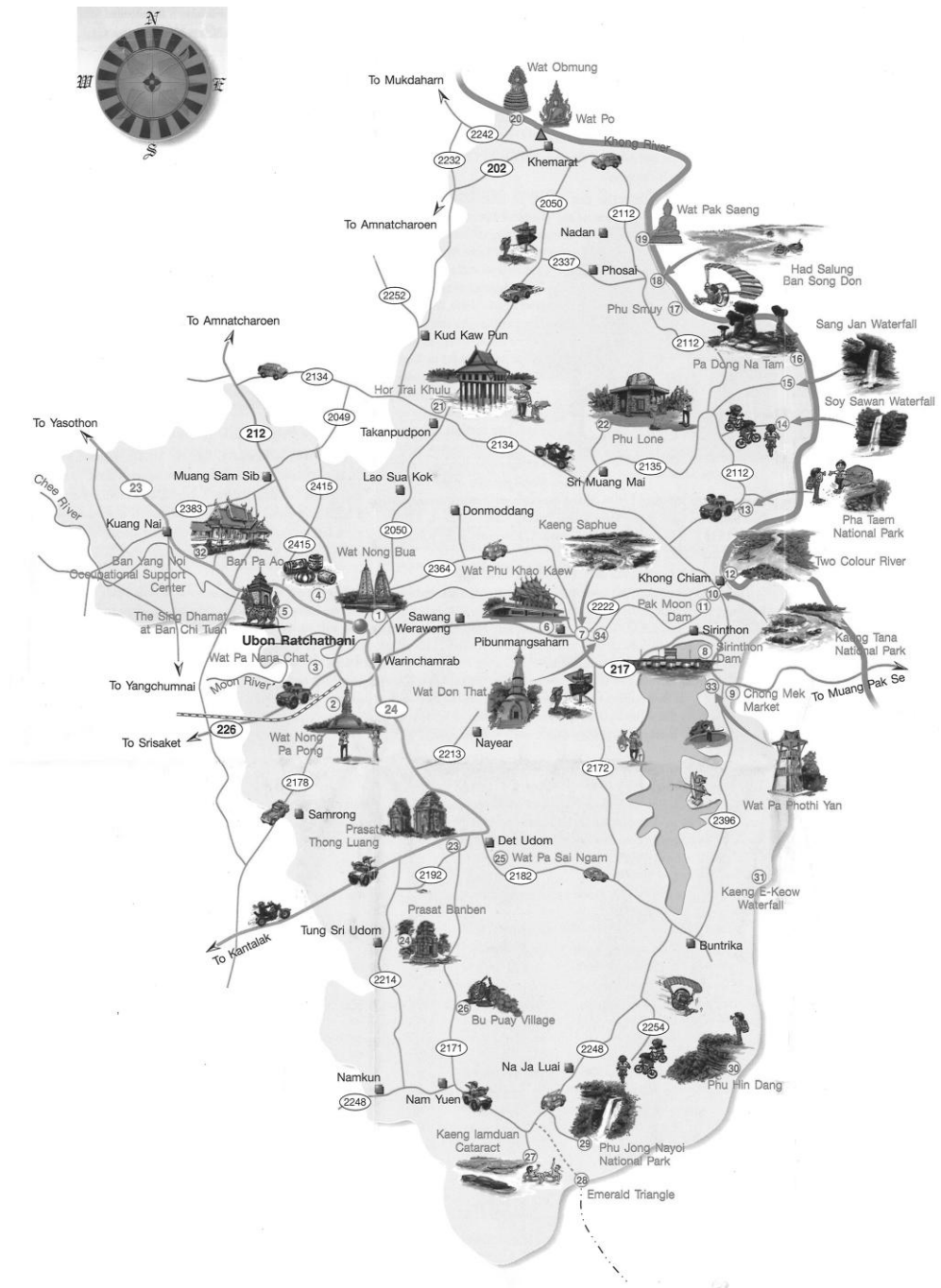


Figure 5.1 An attraction map of Ubon Ratchathani (source: TAT - Ubon Ratchanthani Office)

#### 5.1.1.1 Physical resources

Because of the great variety of physical resources, and our focus on tourism, in this study, we narrowed them down to (a) the generic physical traits of the region and (b) the availability of tourism products (attractions).

##### a. The generic physical traits of the region

Ubon Ratchathani is located about 600 kilometers from Bangkok, in the easternmost part of Thailand (see also Figure 1.4). It is situated where the Mekong River forms the border between Thailand and Laos, creating scenic views, and where two-mountain ranges also act as a natural demarcation of the border between Thailand and Laos as well as Cambodia (Ubon Ratchathani Report, 2008). This provides an opportunity for it to be developed as a gateway to the countries of Indochina. Further, Ubon Ratchathani has many rivers flowing through it, the major one being the Mun River which runs into the Mekong River in the Khong Chiam district (Figure 5.1). At the Mun River's alluvium the two contrasting colored currents from the reddish-clay tinted Mekong River and the light blue Mun River join. This has been developed into a tourist attraction known as Maenam Song Si or the Bi-colored River. In addition, as recorded by the Ubon Ratchathani Provincial Natural Resource and Environment Office (2007), the province has many preserved national forests, parks, and a wildlife preservation area.

Ubon Ratchathani has an average elevation of 227 feet above sea level and high humidity (72%) (Ubon Ratchathani Statistics Office, 2008). Thus, the climate is wet with a long dry season, and temperatures ranging from 11 to 41°C with an average year-round temperature of 27.3°C. Accordingly, the summer months (March – May) are dominated by tropical weather, but it is cold and windy in the winter months (November – February). Additionally, between June and October, the monsoons originating in the South China Sea cause unpredictable and serious flooding. The rainy season brings rainfall averaging 2,035.50 millimeter per year (Ubon Ratchathani, 2007).

##### b. The availability of tourism products (attractions)

According to Aneksuk, *et al* (2010), since Ubon Ratchathani is blessed with diverse natural and cultural heritages, possesses attractive physical attributes such as the availability of tourism resources, and suitable meeting and conference places, and has sufficient local tour guides, it has the potential for developing five types of tourism products (conference, religious, cultural, events<sup>18</sup>, and eco-adventure oriented). Additionally, the Lonely Planet<sup>19</sup> website has described Ubon Ratchathani as good for aimless wandering because of the variety of attractions scattered around the province, particularly the three national parks and

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<sup>18</sup> Event tourism is organized around planned and organized special occasions, and in this case, the event referred to is the Candle Festival

<sup>19</sup> <http://www.lonelyplanet.com/thailand/ubon-ratchathani-province>. retrieved 21 November 2012

more than one thousand Buddhist monasteries dotting the area<sup>20</sup>. According to this website, Ubon Ratchathani is famed across the country for the Buddhist forest temples where Buddhist monks (especially the famous teachers of meditation) have lived and studied the principles of Buddhism. Other than the forest temples, many Buddhist temples surrounding the city can be seen displaying the unique mixed architectural styles of Lao, Khmer, and Thai. Ms. Yupa Panrod, Director of TAT-Ubon Ratchathani Office<sup>21</sup> indicates that Ubon Ratchathani is primarily known for The Candle Festival, held annually for about 3-5 days in July. It has been scheduled in the “Amazing Thailand Program” as an international renowned festival of Thailand<sup>22</sup>.

TAT<sup>23</sup> has categorized the attractions into six types: 1) temples and archaeological sites, 2) natural sites, 3) a gateway to Indochina and the Mekong River, 4) trans-border tourism with Pakse (Laos), 5) handicraft manufacturing villages, and 6) cultural and festival events (Figure 5.1 and see also Appendix 3, Table 1).

#### 5.1.1.2 Human resources

Human resources are one of the most important factors in the service industry because service is about human activities and tourism employees have direct contact with customers in their service delivery. Their skills and knowledge are among the key success factors in a service firms’ competitiveness. Tourism is considered a labor-intensive service industry where service quality is one of the major factors influencing tourists’ satisfaction (Choi & Chu, 2001; Bowie & Chang, 2005). Quality service is part of the competitive advantage of a destination. Therefore, the availability of skilled tourism employees is crucial. This study has operationalized human resources in terms of (a) tourism labor: supply and demand, (b) the quality of tourism employees and the improvement of service quality, and (c) the cost of tourism employees. For an explanation of this operationalization, see Chapter 4.

##### a. Tourism labor: supply and demand

As shown in Table 5.1, there are at least 6,200 tourism and/or hospitality students graduating annually from higher educational institutions in Thailand as a whole. Of these, there are approximately 120 tourism/hospitality students<sup>24</sup> from Ubon Ratchathani and neighboring provinces finishing their studies each year from the state higher educational institutions located in Ubon Ratchathani. However, the demand in Ubon Ratchathani for highly educated employment in the tourism sector is rather small, with only 49 graduates in tourism/hospitality employed in the province (see Table 5.1). Local tourism entrepreneurs

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<sup>20</sup> [http://www.lib.ubu.ac.th/ubon\\_temple/](http://www.lib.ubu.ac.th/ubon_temple/), retrieved 21 November 2011

<sup>21</sup> Oral information based on an interview with the Director of TAT - Ubon Ratchathani branch (Ms. Yupa Panrod) on 5th March 2009.

<sup>22</sup> See also <http://www.tourismthailand.org/See-and-Do/Events-and-Festivals/Ubon-Ratchathani-Candle-Festival--4591>, retrieved 8 February 2013.

<sup>23</sup> Tourism Authority of Thailand and [http://www.tatubon.org/tatubon/view.php?t=33&es\\_id=1&d\\_id=1](http://www.tatubon.org/tatubon/view.php?t=33&es_id=1&d_id=1), retrieved 16 January 2012

<sup>24</sup> Data from the Registration office of Ubon Ratchathani University and Ubon Ratchathani Rajbhat University, 2010

said they were unlikely to employ highly educated workers because they tend to show lower job loyalty and less enthusiasm compared to employees with low education level. Besides, local tourism entrepreneurs (Iv. 5, 9, 13, 14, 26, and 32) and tourism informants (Inf. 1 and 6) indicate that the underlying causes for the lack of skilled employees can be attributed to low pay and the active recruitment and selection by bigger firms in high potential areas such as Bangkok, Chiang Mai, and Pattaya. Some expressions of local tourism entrepreneurs might illustrate this.

“I sent my employees to train with bigger tour operators in Bangkok but when the employees gained more experience, they left us very quickly...I was quite disappointed about this so I don't send them to have apprenticeships there anymore...We have low quality [bachelor degree] employees because good quality students are recruited and selected by bigger firms in big cities. Low quality partly refers to weak English language skills.” (Iv. 9)

“I actually want to hire highly educated graduates, but they don't want to work with us. I have experienced that highly educated employees don't work enthusiastically. Instead of working for us, they take our time to prepare for new jobs in the government sector or big firms in bigger cities. They always look forward to applying for a new job and that leads us to have a high job turnover rate. So, I hire low educated employees and train them; and then high turnover rate in my firms is gradually lower.” (Iv. 14)

b. The quality of tourism employees and the improvement of service quality

According to Porter (1990), the availability of tourism employees at any particular point in time is less important than the rate at which they are trained to become more specialized within the tourism sector. Service quality in the tourism sector mainly depends on employees' skills, including their education levels and work attributes, such as hospitality skills, language proficiency, and technical abilities.

The data in Table 5.1 indicate that 7.6% of tourism employees in Ubon Ratchathani are highly educated, with at least a bachelor degree. However, interviewed entrepreneurs express some doubts about the service quality of these highly educated employees, because their university grades were rather low and considered insufficient. Interestingly, we find different evaluations with regard to the perception of employee quality using different methodologies. While the in-depth interviewers express a concern about the low quality of highly educated employees, the survey results demonstrate that local tourism entrepreneurs more generally perceive most of their employees' skills at a moderate to good level. This contrasts with tourism informants (experts) who specify that all skills of tourism employees need to be improved because the service quality received by the guests is lower than the entrepreneurs probably know. One of the tourism informants gave an example of his experience:



**Table 5.1 Human resource information of the tourism sector in Ubon Ratchathani**

Items	Accommodation	Tour operator	Total (%)
	N = 60	N = 23	83 firms
1. Quantity of tourism workforces			
1.1 Labor demand quantity (unit: employees)	1,586	207	1,793
1.2 Labor supply quantity (unit: graduates)	> 6,200 tourism/hospitality graduates each year in Thailand		
2. Quality of tourism workforces			
2.1 Educational level (unit: employees)	1,586 (100%)	207 (100%)	1,793 (100%)
- Bachelor degree in tourism/hospitality or related	18 (1.1%)	31 (15.0%)	49 (2.7%)
- Bachelor degree (excluding BA in tourism/hospitality)	72 (4.5%)	15 (7.2%)	87 (4.9%)
- Lower than bachelor degree	1,496 (94.3%)	161 (77.7%)	1,657 (92.4%)
Missing data (firms)	3	1	
2.2 Quality from perception of tourism entrepreneurs	Level of skills		
- Foreign language skills	Weak	Moderate	
- Hospitality skills	Moderate	Good	
- Technical skills	Good	Good	
3. Tourism employee wages (unit: baht/month)			
- Average minimum wage rate	4,371	5,433	
- Average maximum wage rate	6,256	7,848	
Missing data (firms)	3	1	

**Source:** Survey results.

**Remark:** The assessment is based on the information collected in 2010.

“Even in a big hotel [in Ubon], employees don’t know how to serve food and beverages to guests. Of course, this is Thai food. Also, the menu offered and the serving skills were not professional...service staff behavior also...not having a service mind is the main problem. Language skills of tourism employees are very poor. All skills are actually weak.” (Inf. 1)

We suspect that entrepreneurs base their judgment on their specific market position (which we will deal with in more detail later in this chapter). For instance, accommodation providers state that their customers need only basic services such as a clean room with standard furniture (e.g. refrigerator, television, air conditioner, and warm water). Providing

**Table 5.2 Training opportunities of tourism employees in Ubon Ratchathani**

Items	Accommodation	Tour operator	Total (%)
	N = 60 (100%)	N = 23 (100%)	N = 83 (100%)
Training opportunities for tourism employees (unit: firms)			
- Internal training (on the job training)	44 (73.3%)	6 (26.0%)	50 (60.2%)
- External training	2 (3.3%)	3 (13.0%)	5 (6.2%)
- Training unavailable	11 (18.3%)	10 (43.5%)	21 (25.3%)
- Missing data (firms)	3 (5.0%)	4 (17.4%)	7 (8.4%)

**Source:** Survey results

**Remark:** The assessment is based on the information collected in 2010.

these services only requires basic technical skill, something which their employees are good at. Also, they rate employees' hospitality skills as being at a good level.

To some extent, the level of service quality could be improved by training tourism employees to be more professional (e.g. hospitality and language skills). However, we found that tourism employees hardly have any professional training opportunities (see Table 5.2). This is partially because local tourism entrepreneurs suspect their employees have low job loyalty and hence they do not want to spend money on staff training, opting instead for internal on-the-job training programs. From the interviews with them, entrepreneurs express this as follows:

"The tourist industry by nature has a high staff turnover rate. I understand that most of the employees want to achieve good job and life progress, so they move to other places that offer them higher positions and benefits. For our existing employees, we train them as much as possible so they can work efficiently for us. On-the-job training fits them well, so why do I have to invest so much in them? The more we train, the faster they leave us for a new job opportunity in other organizations." (Iv. 14)

**Table 5.3 Average salaries of Thai employees at staff level in each sector**

Base/Sector (unit: baht/month)	Manufacturing	Trading	Real estate	Service	Ubon tourism *
Average basic salary	9,833	10,000	10,925	14,112	4,300-7,800
Average gross pay	14,337	14,094	15,857	16,943	n/a

**Source:** Thailand corporate BE.S.T (sic), 2010 and \* = a result of survey of this study in 2010 (N = 76 the tourism sector)

**Note:** Average basic salary is reported as fixed annualized monthly.

**Remark:** The assessment is based on the information collected in 2010.

**Table 5.4 Benefits and welfare of tourism workforce compared to general Thai corporate positions**

Items	Thai corporate positions	Ubon Ratchathani tourism firms *
Working day per week	5 days for office staff 6 days for factory staff	6 days
Social security availability	Under social security act	89.8%
Career path	Available	Very limited
Time off (e.g. sick/maternity leaves)	Under labor protection law	

**Source:** Thailand corporate B.E.S.T, 2010 and \* = results of survey in this study (N = 76 tourism firms)

**Remark:** The assessment is based on the information collected in 2010.

### c. The cost of tourism employees

The cost of tourism employees is determined by wages and complementary costs. The findings reveal a lower level of labor costs in the tourism sector of Ubon Ratchathani compared to other sectors in Thailand (Table 5.3-5.4). Based on a study by Huttasin (2008), interviewed staff indicated that the low cost of tourism employees in Ubon Ratchathani, represented by low wages, low benefits, and restricted career paths, is the main cause for employees' low job satisfaction, low job loyalty, and high staff turnover rate. With respect to this fact, local tourism entrepreneurs state that because of their small-to-medium sized and family-owned firms (discussed in detail later in this chapter), job career paths are restricted and one of the tourism informants explained that the low remuneration for tourism employees in Ubon Ratchathani is a big obstruction for tourism development because experienced employees move elsewhere.

"We have to accept that our organization is small so career paths are limited. I understand that everyone [highly educated persons] wants to work in bigger organizations which can give them more work progress." (Iv. 24)

"Ubon is a big city but it has the limitation of remuneration and benefits for tourism employees so employees look for better chances in other places. This is the problem in Ubon." (Inf. 1)

#### 5.1.1.3 Knowledge resources

Knowledge resources are referred to in terms of the availability of scientific, technical, and market knowledge concerning goods and services in the region. In Porter's opinion (1990: 80-81), the two most crucial factor conditions for improving competitiveness concern skilled human resources and knowledge resources. He explains that the private sector should continuously invest and reinvest to improve its quality through advanced and specialized factors. Leaving the responsibility of investing in knowledge creation to the government is

too simple an approach because firms are in the best position to know what they have to compete for. Firms cannot achieve a more competitive position unless knowledge is transmitted to or further researched (developed) by firms. Accordingly, we operationalize knowledge resources in terms of (a) the presence of knowledge resources (at the government level) and (b) the level of investment in knowledge development by the tourism sector. For the operationalization of this concept and data collection methods, see Chapter 4.

a. The presence of knowledge resources (at the government level)

In light of the diversity of possible knowledge resources<sup>25</sup> for developing service quality in the tourism sector, in order to keep this variable manageable for the Ubon Ratchathani situation, we have operationalized this in terms of the availability of educational institutions, research projects, and training programs that are specifically dealing with tourism in Ubon Ratchathani. We have given more attention to the higher education institutions because they play a leading role in the creation and provision of knowledge within Thai society.

As reported by the Thailand Tourism Development Research Institutes, there are 109 educational institutions providing tourism and/or hospitality courses (Table 2 in Appendix 3), of which five institutions are located in Ubon Ratchathani. These include two state universities, two private universities, and one vocational college. Furthermore, it is highly likely that these high educational institutions in the province are financially subsidized by the government to conduct research projects and arrange academic service projects for the communities they serve. As shown in Table 5.5, there are 33 research projects and

**Table 5.5 Typology of research project and training project related to tourism in Ubon Ratchathani**

Typologies of research projects	Number of projects	Typologies of training projects	Number of projects
1. Marketing studies	10	1. How to manage	4
2. Potential/management studies	9	2. How to satisfy guests/tourists	3
3. Community participation studies	7	3. How to market	1
4. Tourism development studies	4		
5. Cultural preservation studies	2		
6. Forecasting study	1		
<b>Total</b>	<b>33</b>		<b>8</b>

**Source:** Compiled by the author from literature reports in the government sector

**Remark:** The assessment is based on the information collected in 2010.

<sup>25</sup> Knowledge resources in the region could be presented in the form of research projects, apprenticeship programs, and knowledge stocks in higher education institutions, the Ubon Ratchathani Chamber of Commerce, the TAT- Ubon Ratchathani office, the Office of Tourism and Sport - Ubon Ratchathani, and other institutions.

8 “how to” training programs which are directly relevant to the development of tourism and hospitality in Ubon Ratchathani. The research projects mostly embrace tourism marketing, tourism potential studies, and tourism management; the training projects concern how to manage business and satisfy tourists.

b. The level of investment in knowledge development by the tourism sector

Knowledge investment can take place either in physical or intangible forms. While physical forms embrace the investment in advanced technology, in facilities and in the infrastructure of firms, intangible forms include investments in human resource development by firms. Based on our interviews, the tourism firms investigated are likely to invest more in physical facilities such as the provision of guestrooms with wireless internet and air conditioning. Investment in human resources is rarely seen. Employers in the majority of local tourism firms do not feel they are encouraged to do so. Interviewed entrepreneurs commented on presumably incapable employees who participated in the external apprenticeship programs (Iv. 13, 23, and 19) and on the low job loyalty experienced after their employees have finished their study (Iv. 5 and 27).

“I really want to increase my employees’ capability but they are too poorly educated and don’t have the capability to studying something new like advanced technology, so I think it is not necessary to train them more.” (Iv. 23)

“I know it always happens when employees finish their further study: they do not want to work here anymore and we cannot prohibit them from working in other places.” (Iv. 27)

It is surprising to find that local tourism entrepreneurs are not interested in engaging themselves in knowledge development either. Entrepreneurs say that they are too busy running their daily business (Iv. 4, 6, 10, and 19). Hence, they say they have no time to cooperate with higher education institutions to create the type of knowledge that might improve their long-term profitability.

“I accept that I am too busy to join the training programs. Don’t mention about research projects which are beyond us.” (Iv. 4)

“We have no time to ask for help from the university. We operate our business based on our own rhythm.” (Iv. 3)

Some tourism informants clarified that local tourism entrepreneurs are likely to be passive, hardly developing their knowledge to prepare themselves to be able to cope with the changing environment that will eventually affect their long-term performance. They provided the example how local tourism entrepreneurs disregarded a free seminar that the

Ubon Ratchathani Chamber of Commerce had organized concerning the impact of the General Agreement on Trade in Services (GATS) on the service industry.

“GATS will affect their business operation in the coming years. However, Ubon entrepreneurs fail to respond to this influence. They don't care about how the world will change. To some extent they will come to an outcry later on because they cannot catch the trend.” (Inf. 5)

“While entrepreneurs in Khon Kaen and Korat are interested in participating in the GATS seminars to know how to respond to such changes (they are willing to pay too), Ubon entrepreneurs are not interested even though we have organized the seminar for free. They focus only on their business operation without attention to the threats from outside...I really don't understand their behavior.” (Inf. 4)

This leads us to our conclusion that although knowledge resources appear relatively ample in the region, there is a low level of knowledge investment by the tourism sector of Ubon Ratchathani.

#### 5.1.1.4 Capital resources

As stated by Porter (1990), there is a vital role for capital resources in financing industries. The amount and cost of capital available in nations/regions influences the ability of firms to execute a growth strategy that could lead to a competitive advantage. Moreover, the growth of firms is influenced by a firms' financial structure and the forms in which capital resources (e.g. unsecured debt, secured debt, and equity) are deployed. In this study we operationalized capital resources in terms of (a) the availability of financial institutions and (b) financial loan practices.

##### a. The availability of financial institutions

In 2010, the Ubon Ratchathani Statistics Office reported that there were 102 financial institutions (68 branches of commercial banks, 8 state-enterprise saving banks, and 16 thrift and credit cooperatives) located in the province, able to provide financial services (deposits and withdrawals, personal, commercial, and mortgage loans, currency exchange, credit and debit transactions, and other services) to the tourism sector. However, although Ubon Ratchathani has enough financial institutions, when compared to other provinces such as Khon Kaen, Korat, and Udon, (which are perceived as economic centers in the Northeast region), the number of financial transactions in Ubon Ratchathani, particularly deposit and credit, is relatively low (see Table 5.6).

**Table 5.6 Financial institutions and amount of deposit and credit in Ubon Ratchathani**

<b>Number of Financial institutions</b>	<b>Ubon</b>	<b>Khon Kaen</b>	<b>Korat</b>	<b>Udon</b>
- Number of commercial bank branches	68	96	121	63
- Number of state enterprise saving bank branches	8	14	26	15
- Number of Co-operatives – Thrift and credit branches	16	25	19	18
<i>Total of financial institution branches</i>	<i>102</i>	<i>135</i>	<i>166</i>	<i>96</i>
- Deposits (million baht)	38,025	63,004	86,882	46,236
- Credit (million baht)	48,800	80,900	87,410	54,500

**Source:** National Statistical of Thailand (<http://service.nso.go.th/nso/nsopublish/contact/datprov.html>, retrieved 20 February 2012)

**Remark:** The assessment is based on the information collected in 2010.

#### b. Financial loan practices

Despite the availability of financial institutions in the region, tourism informants argue that most of the tourism entrepreneurs in Ubon Ratchathani do not borrow money from them because their families act as a source of capital to invest in their businesses:

“The rich Ubon people are cash accumulators because when they do business, they don’t borrow money from the bank. They don’t want to take the risk. It was obvious with the economic downturn in 1997, that while business persons in other places suffered from the crisis, the rich still enjoyed their lives.” (Inf. 6)

“The older business persons in Ubon have accumulated money throughout their lifetimes and leave it in the bank...if we look at the figures from banking information we will see that the deposits are higher than the lending amounts. This shows that people in Ubon don’t invest by using money from bank loans... when faced with economic crisis, people in Ubon were not in any trouble at all.” (Inf. 5)

This hint at a risk-avoiding attitude of tourism entrepreneurs is supported by the survey results which indicate that more than half (56%) of the local tourism entrepreneurs are completely depending on their families for investment money, signifying an attitude of low financial risk (see Table 5.7). In the interviews, tourism entrepreneurs expressed their opinion that it is highly risky for them to offer their property (i.e., establishments and real estate) as surety, because the financial institutions require high-valued collateral. This is based on lessons learned from the 1997 Asian financial crisis, which motivated financial institutions to increase their precautions when handing out loans.

**Table 5.7 Financial structure of the tourism sector in Ubon Ratchathani (unit: firms)**

Sources of capital	Accom. sector	Tour sector	Total
100% family saving	24	13	37 (56.06%)
≥ 70% family saving and ≤ 30% bank loan	5	2	7 (10.60%)
50% family saving and 50% bank loan	4	2	6 (9.09%)
< 50% family saving and >50% bank loan	4	0	4 (6.06%)
Not specify but say mostly saving	5	0	5 (7.57%)
Not specify but say mostly bank loan	1	0	1 (1.51%)
100% government budget	2	0	2 (3.03%)
100% bank loan	3	1	4 (6.06%)
Not specify at all (missing value)	12	5	17 (20.5%)
Total	60	23	83 (100%)

**Source** based on survey

**Remark:** The assessment is based on the information collected in 2010.

“I also want to improve the quality of my hotel, but if I borrow money from a bank to do so I have to use this hotel as collateral, otherwise the bank will not consider anything. I don't want to take that risk and I think others are the same. What I can do is invest the money from my pocket. It is safer than using money from banks.” (Iv. 13)

“Borrowing money from the bank is hard because they [banks] want high-valued collateral as a guarantee, so I expand my business little by little. If I have money, I invest but if not, I don't. Having no financial risk is good.” (Iv. 15)

#### 5.1.1.5 Infrastructure and tourism facilities

Infrastructure and tourism facilities (type, quantity, quality, and cost) affect the destination's competitiveness in terms of accessibility and attractiveness (Ritchie & Crouch, 2003). In this study, we operationalized both in terms of (a) the availability, and (b) the quality of transportation infrastructure and tourism facilities. Data were collected from secondary sources and in-depth interviews with tourism informants (Chapter 4).

##### a. The availability of transportation infrastructure and tourism facilities

Given the advantage of being the administrative and the main economic center in the Lower Isan region, Ubon Ratchathani has the potential to receive an influx of visitors. The availability of transportation infrastructure and tourism facilities is among the factors that



**Table 5.8 Transport infrastructure and tourism facilities of Ubon Ratchathani**

<b>Classification</b>	<b>Infrastructure and tourism facilities</b>
1. Transport	
1.1 Air transport	8 flights daily (Ubon-Bangkok-Ubon)
1.2 Railway transport	7 trips daily (Ubon-Bangkok-Ubon)
1.3 Road transport (bus)	78 routes
1.4 Car rental	7 firms
2. Accommodation	3,461 available rooms
3. Complementary offerings	
3.1 Eateries	Restaurants (Isan, Thai, Western, Japanese, Chinese, Vietnamese), and 14 pubs/bars
3.2 Leisure	55 supplementary leisure outlets
3.3 Energy	482 gas stations
3.4 Souvenir	> 20 outlets
4. Service intermediary (tour services)	32 firms
5. Facilitator	Services of health care, safety and security, parcel handling, and payment and money transfer

**Sources:** Compiled by author, [www.ubonguide.org](http://www.ubonguide.org), Ubon Ratchathani transportation office, Ubon Ratchathani energy office

**Remark:** The assessment is based on the information collected in 2010.

the deputy general director of the Ministry of Tourism and Sport<sup>26</sup> uses to support Ubon Ratchathani's positioning as one of the high potential tourist destinations in Thailand (see Table 5.8, and for more detail see Appendix 3, Table 3). Compared to Udon which is regarded as the main economic center in the Upper Isan region, Ubon Ratchathani has sufficient transportation infrastructure and tourism facilities to facilitate mass visitors (Table 5.9).

b. The quality of transport infrastructure and tourism facilities

While at a glance, the presence of transportation infrastructure and tourism facilities seems to enable Ubon Ratchathani to become a tourism hub within the lower northeast region, tourism informants note that the quality of the existing transportation infrastructure and tourism facilities needs improvement. The quality of the transportation system reduces the competitiveness of regional tourism. There are two sources of problems: the transportation system within the city of Ubon Ratchathani and the transport connection system outside the city. Tourism informants indicate that with regard to the first, improper

<sup>26</sup> Dr. Preedee Shotesoung, <http://dc273.4shared.com/doc/XZVmrSI9/preview.html>, retrieved 4 February 2011

**Table 5.9 Capacity of public transport infrastructure and accommodations of Ubon Ratchathani and Udon Thani**

Infrastructure and tourism facilities	Year-based data: 2010	Ubon*	Udon**
1. The public transport infrastructure	- Number of air passengers (1)	393,449	815,650
	- Number of rail passengers (2)	750,990	388,796
	Total public transport capacity (3) = (1)+(2)	1,144,439	1,204,446
	Number of tourists (4)	1,080,616	1,941,821
	Public transport capacity (5) = (3) – (4)	+63,823	-737,375
2. The accommodation infrastructure	- Number of rooms	3,461	4,208

**Sources:** \* = [http://ubon.nso.go.th/nso/project/search\\_option/index.jsp?province\\_id=79](http://ubon.nso.go.th/nso/project/search_option/index.jsp?province_id=79), (the last updated data), retrieved 20 February 2012

\*\* = [http://udon.nso.go.th/nso/project/search\\_option/index.jsp?province\\_id=79](http://udon.nso.go.th/nso/project/search_option/index.jsp?province_id=79), (the last updated data), retrieved 20 February 2012

**Remark:** The assessment is based on the information collected in 2010.

concession is likely to lead not only to a limited number of independent taxis but also to difficult destination accessibility because of the complex transport connections required.

“If you take a bus to each destination, for example, Wat Nong Pa Pong near Ubon town, you will be faced with complex routes...the bus will take you somewhere else. To be able to develop tourism in Ubon, the transport concession should be reformed completely.” (Inf. 13)

“The problem of tourism development in Ubon is the transportation system. There is no public transport to get to the points of attractions. I used to use public transport [a song taew] to go to Wat Nong Pa Pong which is not far away from the city but is difficult to get to... a lot of time is wasted ... Unlike other provinces, Ubon doesn't have an independent taxi system [tuk tuk] to take tourists directly to their destinations. The problem is that the Ubon municipality gives the transport concession to the private sector, so independent taxis from outside Ubon city cannot serve travelers in the city at all. Then, if we think about attractions, most are located outside the city. If you don't have a personal car and you want to make merit at a temple outside the city, what will you do?... I observed that there are less than 10 tuk tuks in

Ubon... if we want to go to the airport we have to walk around looking for a tuk tuk. The transport system in Ubon is so inconvenient.”<sup>27</sup> (Inf. 3)

As for the second problem, tourism informants signal accessibility problems in relation to the low quality of train service, a lack of signposts pointing the direction to Ubon Ratchathani, and inferior road quality (2-lane roads). In addition, even though it is an ambition of Ubon Ratchathani to be the tourism and transportation hub for the Indochina region, the transportation system is not yet well developed to targeted mass tourists. There are no international flights connecting Ubon Ratchathani to Laos, Vietnam, or Cambodia, while a new airport has emerged in Pakse, Laos.

“The train service in Isan is of very low quality. It is different from the rail lines to Chiangmai or the southern part of Thailand. Also, driving to Isan is difficult. If you are not experienced with the Isan route, you can easily get lost. I used to get lost because there are no signposts indicating the direction to Ubon and the quality of the roads is bad too. It is only a 2-lane road.” (Inf. 3)

“Tourists come to Ubon, stop briefly, and cross over to the neighboring countries like Laos and Vietnam. Now Pakse is opening a new airport that provides international flights linked to Vietnam [Saigon], and Cambodia [Siem Reap and Phnom Penh], so tourists will increasingly come to Ubon but will not stay in Ubon because Ubon is only the gateway to such neighboring countries. Is it a tourism hub or a tourism gateway?” (Inf. 1)<sup>28</sup>

### Conclusions with regard to factor conditions

In line with Porter’s Diamond model, we have looked at physical, human, knowledge, and capital resources, and infrastructure and tourism facilities. Theoretically, these factor conditions reinforce and augment the competitive advantage of regional tourism, but they are unlikely to be upgraded easily by the tourism sector in Ubon Ratchathani. The reason is that tourism entrepreneurs pay little attention to the development of the quality of human resources, the use of available knowledge resources, and the need to utilize more capital resources to improve product quality. As a consequence, tourism service quality tends to be low. Moreover, although Ubon Ratchathani has various sorts of transportation infrastructure and tourism facilities, the transportation system requires additional development. Moreover, Ubon Ratchathani possesses abundant attractions (e.g. Buddhist monasteries and natural attractions), but the hot climate, together with the scattered and remote pattern of tourist attractions seems to be a major constraint for the tourism development of Ubon Ratchathani (Aneksuk, *et al*, 2010).

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<sup>27</sup> One year later after our fieldwork in Ubon Ratchathani, there have been taxi services that make it easier for tourists to travel around Ubon Ratchathani and neighboring provinces as well as Laos.

<sup>28</sup> Disclaimer: Pakse Airport does not serve any flight to Phnom Penh

### 5.1.2 Related and supporting industries

According to Porter's Diamond model, the existence of related and supporting industries in a region provides a potential competitive advantage, based on close working relationships. The linkages of the tourism sector with suppliers can facilitate innovation and an upgrading of processes through quick access to information, R&D exchange, new method perception, and opportunities to apply new technologies, because they are the mechanisms driving a competitive advantage. In the case of Ubon Ratchathani, we investigated the relationships of the tourism sector to its related and supporting industries to see whether collaborative practices among them could bring improvements in new products/processes and/or the development of new markets. We operationalized related and supporting industries in terms of (a) the presence of tourism related industries, and (b) collaborative practices in the tourism value chain. See Chapter 4 for an explanation of the underlying operationalization.

#### a. The presence of tourism related industries

As stated by Mommaas (2006), tourism concerns a related field of economic activities, comprised of loosely connected enterprises, in which the vertical value chain of the tourism business proper interacts with horizontal cross-overs. The vertical value chain involves tourism enterprises which organize (assemble, market and execute) "trips", whereas the horizontal value chain concerns the cooperation between the tourism sector proper and other sectors (services, experience content production, etc.) to deliver attractive experiences to tourists. Based on this understanding of the tourism value chain, we explored the presence of tourism related industries which are regarded as part of the horizontal value chain in terms of local economic activities. Because of data problems, we restricted ourselves to energy, souvenir, and car rental service industries which Vanhove (2006) also identified as tourism related industries. Again, because of data reasons, we used gas stations to represent the energy industry, local souvenir manufacturers to represent the souvenir industry, and car rental firms to represent the car rental service industry. These souvenir manufacturers are all small-scale enterprises running their business in the form of cooperatives subsidized by the government. As presented in Table 5.10, from 2008 to 2009 while the number of gas stations sharply increased, the number of souvenir manufacturers and the number of car rental firms remained relatively unchanged. This suggests that the increased number of gas stations might be associated with the increased number of automobiles in Ubon Ratchathani, but this is not related to tourism development, because the figure of souvenir enterprises and car rental firms show stagnation.

**Table 5.10 Related and supporting industries relevant to the tourism sector in Ubon Ratchathani**

Related industries of the tourism sector	2008 (unit: organization)			2009 (unit: organization)		
	Nr. Of org.	Change	Total	Nr. Of org.	Change	Total
<i>1. Energy</i>						
- Gas stations	23	-3	20	594	-30	481
<i>2. Local souvenir types</i>						
2.1 Food and snacks	83	0	83	83	+1	84
2.2 Beverages	5	0	5	5	0	5
2.3 Hand-woven fabrics	67	0	67	67	0	67
2.4 Decorative	44	-1	43	43	0	43
2.5 Art works	18	0	18	18	0	18
2.6 Herbal products	25	0	25	25	0	25
<i>3. Car rental services</i>						
- Car rental firms	7	0	7	7	0	7

**Source:** Compiled by author from Ubon Ratchathani Energy Office, Ubon Ratchathani Co-operative Office, and our survey

**Remark:** The assessment is based on the information collected in 2010.

#### b. Collaborative practices in the tourism value chain

To be able to develop innovative tourism products/processes, the tourism sector might operate in conjunction with either related and supporting industries or other institutions such as in this case, tourism-associated institutions. This study examined the extent to which the tourism sector in Ubon Ratchathani cooperates with other sectors in both the vertical and horizontal value chains. As far as the vertical relationships were concerned, we looked at relations within the tourism sector itself (e.g. direct competitors), between the tourism sector and its vertical business partners (accommodation firms, tour operators, and travel agencies), and between the tourism sector and tourism-associated institutions. To look at horizontal relationships, we investigated how the tourism sector cooperated with its horizontal local partners (wholesalers, agricultural activities, and local cultural villages) in order to develop and/or improve the quality of tourist experiences. To be able to measure the collaborative relationships in the tourism sector (Reid, *et al*, 2008), we asked local tourism entrepreneurs about who they cooperated (or were in most contact) with, what cooperation practices that they involved, what information they exchanged, what the content of the contact was, and how often they were in contact with each other.

As shown in Table 5.11, we find very low levels of cooperation in the tourism value chain in Ubon Ratchathani in relation to the development of new products or new markets for regional tourism. This indicates a general social structure where organizational contacts

are primarily based on daily business concerns. The information exchange is identified as formal, the content of the relationship concerns mostly business exchange, and the frequency of the contact tends to be unspecified but most are three to four times a month (Appendix 3, Table 4).

We also noticed a low level of vertical integration between the tourism sector and those tourism associations that contribute to the improvement of tourism service quality in Ubon Ratchathani. There are many tourism-associated institutions in Thailand, but this study restricted itself to only those with which the tourism sector in Ubon Ratchathani associates itself, and we classified them into three levels: national, regional, and local<sup>29</sup>. The findings reveal that there are very few firms participating in these tourism-associated institutions (Appendix 3, Table 5). The advantage of being a member of the tourism-associated institutions is that firms get quick flows of new information, new knowledge, and new techniques or methods needed to appropriately respond to external changes (e.g. demand changes and/or law/regulation changes). Additionally, the tourism-associated institutions, particularly at the national level, influence firms' service quality by indirect enforcement of fellow members, particularly hotels, to meet quality standards through the international star-rating system project. For instance, to be a member of the THA, hotel firms must be qualified as at least a three-star hotel. Based on the low levels of collaboration with the tourism-associated institutions, it could be concluded that the ambition of the tourism sector in Ubon Ratchathani is rather modest. Relationships between firms participating in the tourism-associated institutions are mostly based on formal information exchange. For example, the tourism-associated institutions supply members with information on standards and quality assurance of products and services, schedules of tourism promotion fairs, rules or regulations from the government sector, and information about the external environment (such as the outbreak of diseases, terrorism) that may affect business profitability. In return, the tourism sector supplies the tourism-associated institutions with information to influence political lobbying.

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<sup>29</sup> At the national level, the Tourism Council of Thailand (TCT) and the Thai Hotel Association (THA) have their important roles including:

- making suggestions to the cabinet concerning the direction of developing tourism before national tourism policy is issued;
- setting standards and promoting quality assurance of tourism products/services;
- supporting training programs and seminars for information exchange;
- cooperating with fellow members and public sector to market and promote tourism.

At the regional level, the Thai Federation of Provincial Tourist Association (TFPTA) and the Isan Hotel Association (IHA) work to influence the national tourism policy through the TCT and the THA. They also promote the improvement of quality tourism services through information exchanges among members, and cooperating to promote and market regional tourism.

At the local level, the Ubon Ratchathani Tourism Business Association (UBTBA) and the Ubon Ratchathani Chamber of Commerce (UCC) have their roles in providing recommendations to the provincial government on regional tourism development, proposing ideas on tourism development to the TFPTA and the IHA, and assisting fellow members in business operations.

Table 5.11 Summary of relationships within the tourism value chain of Ubon Ratchathani

Relationship between the tourism sector and	Whom most contact with*	Interconnected activities**	Information exchange**	Content of relationship*	Frequency of contact*
<b>1. Direct competitors</b>					
1.1 Accommodations	Small circle of hoteliers who are the same age (younger generation)	Joint purchase of guest amenities (toilet paper, cleaning materials, etc.)	Informal - how to deal with low-priced apartments or bigger hotels	Joint activities (eating, charity functions, volunteering)	Upon occasion
1.2 Tour operators	Travel agencies in Bangkok	Subcontracting to travel agencies	Formal contracts	Business exchange	When the package is sold
<b>2. Vertical business partners</b>					
2.1 Accommodations	Tour operators	Exploiting market opportunities	Formal - negotiation based on "good deal" prices	Business contact	Upon sale of rooms or packages
2.2 Tour operators	Accommodations, vehicle rental, catering firms				
<b>3. Tourism associated institutions</b>					
	Joined by very few medium-sized hotels	Support of training / seminars Political lobbying Cooperation in marketing/promotion	Formal - two-way communication such as standards and quality assurance, information for political lobbying		On business occasions
<b>4. Horizontal local partners</b>					
4.1 Accommodations	Wholesale and retail sector	Business transactions	Formal - negotiation based on "good deal" prices		When stocks are available
4.2 Tour operators	Wholesale and retail sector Handicraft villages, natural and cultural attractions	Interacting with attraction officials and taking tourists to visit	Formal - ticketing, tourist information exchange		On request of tourist

Source: \* = Survey result, \*\* = In-depth interview result **Remark:** The assessment is based on the information collected in 2010.

c. Conclusions with regard to related and supporting industries

To summarize, the availability of related and supporting industries is unlikely to help the tourism sector in Ubon Ratchathani to develop new market opportunities or to collectively provide new experiences to visitors through the creation of new products/processes by tightening up the cooperative linkages within their (vertical and horizontal) network. Only a few tourism firms have ambitions to develop their quality to respond to international demands. They do so partly by taking part in the tourism-associated institutions in order to access new knowledge and methods.

### 5.1.3 Demand conditions

According to Porter's Diamond model (1990), the competitive nature of firms is shaped by sophisticated home-based demands, which are significant in encouraging firms to compete in the international market. This is because sophisticated demand conditions create an environment that encourages firms to upgrade and expand their services to be richer in variety and quality. In the case of Ubon Ratchathani, tourism tends to rely heavily on domestic demands though international demands are still important. The understanding of both types of demand conditions is thus important in developing regional tourism. In this section, the elaboration of demand conditions is done based on secondary data reported by the MOTS<sup>30</sup> and TAT<sup>31</sup> during 2008-2009. This analysis emphasizes (a) the quantity of visitors, (b) visitor spending power, and (c) the motivation and evaluation of visitors.

a. The quantity of visitors

Table 5.12 shows that in 2008, Ubon Ratchathani hosted approximately 1.5 million visitors, of whom about 97% were domestic visitors and only 3% international. This generated about 3,500 million baht in income for Ubon Ratchathani. As a portion of Thailand at large, however, Ubon Ratchathani's market share is very tiny (1.5%) and the tourism income generated is also much smaller (less than 0.3%). Moreover, in comparison to other provinces which are perceived as main economic centers in the Northeast, Ubon Ratchathani does not rank well (Table 5.12).

Further, according to the MOTS report of 2008<sup>32</sup>, of the domestic visitors, 71% has its origin in the same region (the northeast or Isan), and 85% classed as Visiting Friends and Relatives (VFR). As for the international visitors, 43% are from Asian countries, 50% are classified as leisure visitors and 45% as VFR visitors. Almost all of the visitors (92%) are independent travelers, arranging their own trips. Of these, 42% travel by personal vehicle (TAT-Ubon Ratchathani Office Report, 2008).

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<sup>30</sup> The Ministry of Tourism and Sport (Under administrative system reform, MOT has assembled tourism statistics since 2009)

<sup>31</sup> Tourism Authority of Thailand (TAT was responsible for tourism statistics until 2008)

<sup>32</sup> See also [www.tourism.go.th/2010/th/statistic/tourism.php?cid=12](http://www.tourism.go.th/2010/th/statistic/tourism.php?cid=12), retrieved 10 November 2010



**Table 5.12 Visitor profiles of Ubon Ratchathani and Thailand**

<b>Number of visitors, tourist expenditure, and length of stay</b>	<b>Ubon (%)</b>	<b>Thailand (%)</b>	<b>Diff.</b>
- Number of domestic visitors (unit: million visitors)	1.44 (1.7%)	83.23 (100%)	< 58 times
- Number of international visitors (unit: million visitors)	0.065 (0.4%)	14.46 (100%)	<222 times
<i>Total (unit: million)</i>	<i>1.50 (1.5%)</i>	<i>97.69 (100%)</i>	<i>&lt;96 times</i>
- Average expenditure of domestic visitors (baht/person/day)	906	1,767	<2 times
- Average expenditure of international visitors (baht/person/day)	1,362	4,120	<3 times
<i>Average expenditure per day of visitors (baht/person/day)</i>	<i>920</i>	<i>2,306</i>	<i>&lt;2.5 times</i>
<i>Tourism income generation (unit: million baht)</i>	<i>3,500</i>	<i>928,199.10</i>	<i>&lt;266 times</i>
- Average length of stay for domestic visitors (unit: days)	3.14	2.63	>0.84 times
- Average length of stay for international visitors (unit: days)	2.76	9.19	<3.33 times

Source: TAT ([http://www2.tat.or.th/stat/web/static\\_index.php](http://www2.tat.or.th/stat/web/static_index.php), retrieved 2 March 2011)

#### b. Visitor spending power

This study defines the quality of visitors in terms of visitors' income, their length of stay, their daily expenditures, and their pattern of spending. Based on the report of the MOTS, more than half (65%) of domestic visitors earn less than 10,000-15,000 baht per month (approx. 30 baht = 1 US dollar), while most international visitors (60%) earn less than \$ 10,000 per month. Furthermore, the different patterns of staying and spending are obvious in that domestic visitors stay a longer time but spend less money (3.14 days and 906 baht per day) compared to international visitors (2.76 days and 1,362 baht per day)<sup>33</sup>. The pattern of tourist spending in Ubon Ratchathani is diverse; domestic visitors spend almost half of their expenditure on souvenirs (43%) whereas international visitors spend more than half for accommodations and food and beverages (52%).

Table 5.13 provides visitor profiles indicating that not only the average expenditure per day of visitors but also the income generation of tourism in Ubon Ratchathani is smaller when compared to other provinces (except for Korat), even though the length of stay of (domestic) visitors in Ubon Ratchathani is longer. We can deduce from these figures that: 1)

<sup>33</sup> See also <http://ubon.nso.go.th/ubon/about/ubonstat51.htm>, retrieved 10 January, 2011

**Table 5.13 Visitor profiles of Ubon Ratchathani and other economic comparisons for the provinces in the Isan region**

<b>Number of visitors, tourist expenditure, and length of stay</b>	<b>Ubon</b>	<b>Khon Kaen</b>	<b>Korat</b>	<b>Udon Thani</b>
- Number of domestic visitors (unit: million visitors)	1.44	2.50	5.32	1.92
- Number of international visitors (unit: million visitors)	0.065	0.075	0.11	0.13
<i>Total (unit: million baht)</i>	<i>1.50</i>	<i>2.57</i>	<i>5.43</i>	<i>2.05</i>
- Average expenditure of domestic visitors (baht/person/day)	906	973	828	1,010
- Average expenditure of international visitors (baht/person/day)	1,362	1,350	1,288	1,380
<i>Average expenditure per day of visitors (baht/person/day)</i>	<i>920</i>	<i>985</i>	<i>840</i>	<i>1,036</i>
<i>Tourism income generation (unit: million baht)</i>	<i>3,500</i>	<i>5,700</i>	<i>8,400</i>	<i>4,550</i>
- Average length of stay for domestic visitors (unit: days)	3.14	2.80	2.40	2.59
- Average length of stay for international visitors (unit: days)	2.76	2.72	2.97	3.45
<i>Average length of stay (unit: days)</i>	<i>3.13</i>	<i>2.80</i>	<i>2.41</i>	<i>2.64</i>

**Source:** TAT ([http://www2.tat.or.th/stat/web/static\\_index.php](http://www2.tat.or.th/stat/web/static_index.php), retrieved 2 March 2011)

**Remark:** We considered Khon Kaen, Korat, and Udon Thani in comparison to Ubon Ratchathani because they are perceived as economic centers in the Central Northeast region (Khon Kaen and Korat) and the Upper Northeast region (Udon Thani).

the cost of living in Ubon Ratchathani is relatively lower; 2) tourism in Ubon Ratchathani has a lower capability of creating economic value.

c. The motivation and evaluation of visitors

The MOTS's report (2008) indicates that both domestic and international visitors are motivated to visit Ubon Ratchathani because of interesting places, low prices, and the proximity to other provinces and neighboring countries. The most popular places for domestic visitors include temples while international visitors list the shopping centers as most interesting.

The MOTS has also reported that more than 96% of the visitors are satisfied with tourism in Ubon Ratchathani, and the quality of attractions and transportation were evaluated as being at a good level, while accommodations were rated at a moderate level. Visitors also indicated that they wanted to revisit Ubon Ratchathani within three years, even though they complained about the inadequacy of rooms during the Candle Festival, the hot climate, and the quiet atmosphere of the province (MOTS Report, 2008).

### Conclusions with regard to demand conditions

To summarize, the majority of visitors coming to visit Ubon Ratchathani are domestic, particularly from the northeastern region, coming initially to visit friends and relatives. They travel by personal vehicle, and prefer shopping for souvenirs. The most popular places are the temples. The evaluation of their overall visitation experience in Ubon Ratchathani is at a good level, except for accommodations which were evaluated at a moderate level.

However, we argue that this evaluation information reflects a partial picture. Taking the evaluation of domestic visitors as an example, it is highly possible that a majority of respondents would be domestic-VFR visitors, originating in the local Isan region, with lower purchasing power. They are unlikely to use public transport, as most travel to Ubon Ratchathani by personal vehicles. If visitors from Bangkok or other regions were to evaluate tourism in Ubon Ratchathani, the results of the evaluation would possibly be different from the existing one because, based on our study, tourism informants have mentioned that the quality of the transportation system and tourism facilities in Ubon Ratchathani is relatively low. On top of that, Jaensirisak, *et al.*, (2012) indicate a low satisfaction with the temples' environment and physical facilities. In the face of these contradictions, we argue that the information in the government report needs closer scrutiny, and the same is likely to be true in the case of international visitors' evaluation.

#### **5.1.4 Firm strategy, structure, and rivalry**

Porter (1990) states that the competitive advantage of a region is not derived from the region as such, but from the competitiveness of firms in the region, being capable of efficient resource utilization. That is to say, the competitive advantage of regional tourism concerns the capability of the firms within a region to be able to compete effectively at a national/international level through an appropriate combination of regional tourism resources and a greater cooperation of tourism related parties in adding value to tourism products in order to ensure a higher quality for visitors. Taking the regional tourism resources into account, tourism competitiveness mainly depends on the cooperative working together of the tourism sector and tourism policy to deliver a high quality experience to tourists. In the context of Ubon Ratchathani, in order to increase their productivity to compete both national and international levels they have become heavily dependent on government policies to facilitate the development and upgrading of products and processes. Therefore, in this study we have operationalized firm strategy, structure, and rivalry in terms of (1) the production climate (at the firm level), (2) the governance structure (at the policy level), and (3) the interaction between firm and policy levels. See Chapter 4 for operationalization details.

## **1. The production climate (at the firm level)**

### **a. The tourism sector structure**

The structure of the tourism sector in Ubon Ratchathani is mostly comprised of small to medium-sized family owned enterprises. Of the investigated tourism firms, 93% are managed by family members who have no educational background or experience related to tourism and/or hospitality, and over 83% have been established by local entrepreneurs born in Ubon Ratchathani (see Appendix 3, Table 6). In addition, of the firms studied, most accommodations are resorts (50%) and hotels (43%), and most tour operators operate on outbound tourism (74%). It is interesting to find from the interviews that while most small-scale tourism firms (resorts and tour operators) are operated by Thai entrepreneurs, a majority of medium-sized enterprises are run by Chinese-Thai mixed blood entrepreneurs whose original businesses include rice mills, manufacturing and distribution operations, property development, etc. (Iv. 3, 9, 25, 29, 14, 19, 20, 22, 23, 24, 26, 27, and 28). Surprisingly, these entrepreneurs are interested in investing in the tourism sector not only in order to create businesses for their sons/daughters and extended families that exploit opportunities from the perceived administrative and/or educational center in the lower Isan region of Ubon Ratchathani, but also because being the owner of a hotel is perceived as prestigious. These are some expressions from local tourism entrepreneurs which might illustrate this.

“My grandfather founded his hotel but before that he had a stationery shop and my father diversified that business to be an official distributor of music instruments and photo copy machines in this region...just look at the hotel owners in Ubon, all of them had other businesses before establishing hotels. These wealthy people have a lot of money but have no idea what to do with it, then the final answer is a hotel. Being a hotel owner is perceived as prestigious because all of the customers want to know who the hotel owner is.” (Iv. 14)

“My family runs a rice mill factory but I love traveling so I have established this company [a tour operator].” (Iv. 3)

### **b. The rivalry environment**

The rivalry environment is intense, especially between hotels and apartments as well as between tour operators and vehicle rental firms, while the competition in the resort business is low. In this case, we take Porter's five-force model (1979) as a framework to analyze the underlying competitive pressures in the tourism sector in Ubon Ratchathani. We found that there are three intrinsic causes driving high competition in the tourism sector. They include the low barrier to entry, the high level of rivalry, and the high negotiation of demand.

Basically, the low barrier to entry is caused by the non-existence of brand loyalty and the minimal capital investment requirements. Local tourism entrepreneurs express as their opinion that the tourism sector competes for customers following a low cost strategy (Appendix 3, Table 7), rather than working to develop brand loyalty. More than half of local tourism entrepreneurs come from rich families where their main financial source is accumulated family wealth (see also topic 5.1.1.4), suggesting that those who have money can invest in the tourism business. A combination of price competition without brand loyalty stimulates a reduction of the barriers to entry into the industry.

“If one has only money, a hotel or apartment can be built...Ubon has many educational institutions that present a business opportunity for the rich to establish an apartment business, and offer rooms to let to students. Later on, these apartment rooms are upgraded to be equal to a hotel room, so our customers are attracted to spend a night there too because of the cheaper prices.” (Iv. 14)

“It is easy to enter the tour operating business. Think about ones who have vehicles and learn how to operate a tour that is easy to emulate. Look at my case, I have experienced that the snoopers from the opposite side have traveled with us and afterward, we found that our tour programs had been duplicated. Incredibly, every detail in the program is the same but the only difference is the price... lower, of course. Tourists prefer to buy cheaper trips too.” (Iv. 7)

The high level of rivalry derives from not only a large number of firms, but also the absence of an adequate level of product differentiation in the tourism sector. Because of the low barrier to entry, we see many tourism firms arising in the Ubon Ratchathani market. Within our field study, there were at least 14 small-scale firms (7 accommodation firms and 7 tour operators) which were not yet listed in the existing report of TAT (which includes 105 firms). During the interviews, hotel entrepreneurs say that they have to fight for their market share with apartment businesses. They also mention that not only do they bear higher cost than apartment businesses (Iv. 13, 19, 21, 23, and 33), but they also find it difficult to call for fair competition grounded on the accommodation business regulations (Iv. 19 and 23). In this case, interviewed entrepreneurs explain that their costs include hotel taxes and operating costs, and they are faced with a weak level of law enforcement concerning accommodation business regulations. In Thailand, apartment businesses are legally obliged to only rent out rooms on a monthly basis, however, because of their lower prices customers prefer to rent apartment rooms on a daily basis. There is no action from the provincial government in coping with the violation of the accommodation business law.

“Fierce competition exactly...our competitors are apartments where operation cost is not as high as hotels and regulations are not as numerous and

complicated as hotels so they can provide cheaper prices...It is actually illegal for apartments to sell their rooms for both monthly and daily rates because they are not allowed to sell daily. If they want to sell daily rooms, they have to register to be a hotel business. This really makes hotels lose their advantage and nobody, especially the government sector, takes care about this. We [hotels] have fought against this unfair business practice but it has been unsuccessful because the government officials don't seriously handle this illegal thing." (Iv. 19)

Similarly in the tour operating business, entrepreneurs state that the high level of price competition is caused by the different cost structures and the weak enforcement of tour operating business regulations. In terms of cost structure, tour-operating entrepreneurs gave us information that tour-operating firms have to pay for the registering of tour guides and the registration fees for operating either inbound or outbound transportation, depending on the tour operating class. If the class is inbound transportation, firms need to pay 30,000 baht for an inbound tour-operating license. If the class is outbound transportation, firms are required to pay 200,000 baht for an outbound tour-operating license. However, car rental firms have a tendency to copy tour-operating services by offering cheaper trips to touring customers and in doing so, car rental firms have no fees even if one rents a car with a driver and the driver acts as a tour guide. Entrepreneurs indicate that there are many firms breaking the law, for instance, inbound tour operators selling and operating outbound tour packages, and car rental firms illegally operating both inbound and outbound tour operations. There do not seem to be strong law enforcement procedures (Iv. 6 and 8). Consequently, in order to strive for a higher market share, tour operators have to lower their prices (Iv. 2 and 5).

"There are a lot of inbound tour operators who operate outbound tours and car rental firms also. This is illegal but the police don't do anything..." (Iv. 6)

"We used to have a consortium selling packages at the same price. But, believe it or not, the consortium members offered 50-100 baht lower than the standard price so they could sell more and if one can sell more than others, one can take others' customers. This destroys trust." (Iv. 23)

When pricing strategy is playing a role, when tourism products are not differentiated, and when there are numerous cheap products offered to customers, customers have a high bargaining power with regard to prices. Together with price-sensitive customers (see also topic 5.1.3), this stimulates local tourism entrepreneurs to implement low pricing strategies.

"The competition here emphasizes price rather than quality and there is only one piece of cake so everyone stares at it....the problem is created by the behavior of customers (especially the government officials) who focus only on price when making decision to buy accommodation services." (Iv. 32)

“Isan people are sensitive to price and always negotiate for cheaper rooms.”  
(Iv. 23)

c. The strategy

Porter (1990) mentions that intense home competition stimulates firms to upgrade their service quality, but the case of Ubon Ratchathani seems to contradict this; firms seem to be locked into a traditional economic model, using low prices as a weapon for competition. We find two prime causes for the tourism sector’s low pricing strategy: 1) the demand-dominated nature of the tourism business in Ubon Ratchathani, and 2) the local entrepreneurial culture.

As previously stated, tourism demand in Ubon Ratchathani is driven by domestic visitors and they are particularly price-sensitive. Due to the dependence on an indigenous low cost market, the tourism sector gets caught up in the loop of a pricing strategy. In the accommodation sector, pricing strategies demonstrate themselves in terms of “reduced room rates”, “discount room rates”, “positioned as a low budget hotel”, and “no strategy” (see Appendix 3, Table 7). Interestingly, price not only classifies the market segment as either high-end or low-end market, but also affects the improvement of service quality in small-sized firms where customer behavior is considered a barrier to quality development. Some of the resort owners asserted this during the interviews.

“I provide good quality white towels in the guestrooms but guests have used them as cleaning rags for their cars and some have even used them to clean their shoes. Think about it. How can I wash them to be white again? Now I have changed and used brown towels instead of the white ones.” (Iv. 15)

“We provide two bottles of water and two glasses in each room, but the guests steal our glasses and towels.” (Iv. 21)

With regard to the tour-operating sector, contradictory information is reported from different research sources. While the survey results indicate that tour operators predominantly focus on service strategies, the in-depth interviews point out that most of the firms are liable to obtain customers through personal connections, and therefore prices could be negotiated, signifying a low price strategy (Iv. 2, 7, and 11).

The entrepreneurial culture is another underlying cause leading to a low price competition strategy. In the context of Ubon Ratchathani where all tourism firms are family owned, the entrepreneurial culture is characterized by a high seniority-based culture. In Thai culture, respect for seniority (particularly age) is important. Elders have to be obeyed because they are essentially deemed the locus of knowledge, power, and authority (see also Condon & Yousef, 1975). As we already know, local tourism entrepreneurs in Ubon Ratchathani have their family as their primary source of capital. In combination, this implies

that the aged have a great position of power and authority in making decisions on the strategy implemented in the business. Their risk-avoiding attitude has a tendency to influence the managerial style in the tourism sector, where aggressive improvement of service quality through the investment in new knowledge, new technology, and new business is rarely seen. Although, presently there is a transition of the management power from the older generation to the younger one, the elders still enjoy the controlling role in the family business. Some respondents indicated in the interviews that it would take three to five years before the new generation could apply their more aggressive risk-taking strategy to change the Ubon Ratchathani economy.

“They [the aged business persons] are rich but conservative in running business...they don't want to take a risk. We have to wait a bit until the new generation of managers who have new ideas control the direction of business in Ubon so much improvement will occur.” (Inf. 5)

“They [the young generation] dare to use their family's money because they are not the ones who earn it, so they are eager to bring something new to Ubon, but we have to wait for the next three to five years.” (Iv. 26)

The seniority-based culture also involves an age related social status or prestige. In Thailand, the structure of social status is related to political and economic power where high status is accorded to the ones who wield power. Put another way, the hierarchy of status is expressed through notions such as: “common people defer to high ranked government officials” or “the poor look up to the wealth” (see also Dieter Evers, 1966; Funatsu & Kagoya, 2003). When the poor are regarded as of a low status, the people living in the poorest areas, like the Northeast or Isan (including, as well, Ubon Ratchathani), are looked upon in the same way. This is partially the reason why mainstream Thais are condescending to the people in the “backward” Isan region (Myers, 2005). Some evidence from our interviews regarding the perception of Ubon Ratchathani as “underdeveloped” might further illustrate this.

“Once, a travel agency from Bangkok called me to pick up stuff in advance for tourists. As a subcontractor, I went to the bus station to get the packages. I thought they must be special things to prepare for the tourists they referred. Unbelievably, there were four dozen bottles of water, cans of cola, snacks...all of which were available in Ubon but the travel agency had sent them.” (Iv. 9)

“My [Thai] customers tell me that they couldn't imagine that Ubon has such a beautiful hotel as this. Before they came here, they thought there was nothing in Ubon. But when they came, they experienced it for themselves.” (Iv. 32)



“We have experienced that sometimes what our employees speak is regarded as impolite from the central-Thai customers’ perspective. Of course, they speak their dialect [Isan language] with the guests but the guests say they are offended by our employees. So we have to teach them how to speak with the Central-Thai guests.” (Iv. 24)

“I once attended a strategic planning seminar for executives held in Bangkok. The lecturer from Chulalongkorn [University] asked everyone to formulate a strategic plan for his or her organization. I did it in terms of tourism in Ubon. Can you imagine? This lecturer had no idea about Ubon at all. Pity Ubon!” (Inf. 3)

The strong status hierarchy in Thailand manifests itself in a low level of cooperation between local tourism entrepreneurs and their business operations based on the perceived image of Ubon Ratchathani as “undeveloped” stimulating local tourism entrepreneurs’ introversion. As a result, service quality is not upgraded because there has been little transfer of knowledge. Tourism informants asserted the following during the interviews:

“In the past, tourists have been brought to Ubon and we had tour operators in Ubon leading them to each destination, but now the tourists cross over Ubon to Laos without stopping by. If tourism entrepreneurs in Ubon cooperate, they can tell outsiders to use their land services before crossing into Laos. Now, they fight each other with cheap prices, so that finally, no one gains any benefits. If they had strong cooperation, they could arrange trips in Ubon and have tourists spending a night here first. However, it is not like that.” (Inf. 5)

“I really don’t understand the characteristics of entrepreneurs in Ubon ...they wait and see and do not cooperate.” (Inf. 4)

## **2. The governance structure (at the policy level)**

At the policy level, there are four key players that directly influence the development of tourism in Ubon Ratchathani: the Tourism Authority of Thailand, the Ministry of Tourism and Sport, the Chief Executive Officer Governor, and the local government (the local administrative organization). Each actor has a specific legislative role and specific authority under the Kingdom Administration Act 1991. Our qualitative interviews indicate a low level of cooperation in the government sector itself.

As can be seen from Table 5.14, each government agency is unlikely to perform well in their functions because functions by law do not go hand in hand with functions in practice and this is likely to hinder tourism development in Ubon Ratchathani (see footnote for more

**Table 5.14 The facilitating roles of government bodies related to tourism in Ubon Ratchathani**

Administration level	Tourism agents in Ubon Ratchathani	Functions by law	Functions by practice
Central government	1. Tourism Authority of Thailand-Ubon Ratchathani office	Public relations and marketing	Marketing and public relations Advise and train private parties Be a link between private parties and public parties
	2. Office of Tourism and Sport-Ubon Ratchathani office	Encourage, support, and assist with tourism development	Be a coordinating body to facilitate constructing tourism facilities and infrastructure Train private parties
Provincial government		Encourage cooperation of tourism related bodies to collectively develop tourism	Cooperate and provide a budget for tourism related bodies to collectively develop and promote tourism
Local government		Develop, maintain, and market tourism attractions in the area	Invest in creating new tourist attractions

Source: Compiled by the author based on the interview results

illustration)<sup>34</sup>. We tried to investigate what the underlying causes were by applying desk research and in-depth interviews with key informants. The desk research points to the reform of public administration, between 2001 and 2006, when the relationship between the central and the local government was renegotiated (see also Elliott, 1987; Higham, 2000; Opperman & Chon, 1997, Painter, 2006; Mutebi, 2004; Bowornwathani, 2007; Arghiros, 2001; and Chardchawarn, 2004). Together with the results of our in-depth interviews, this points to the possibility that the renegotiation of central and local/regional relationships affected regional tourism development because of the functionalization (performing only specialized tasks), the discontinuation of professional quality, and the fragmented policy perspectives (different interests of related parties for regional tourism development).

*Background of the negotiation of central/local/regional relationships:* The 1997 Constitution of Thailand significantly promoted decentralization of power to local government based on a political ideology according to which the local autonomous government could deliver services more efficiently and effectively to the local people than central government. At the same time, this could enhance Thai citizens' participation in both political and community development in the region (Bowornwathana, 2007). In 1999, the Decentralization Act was enacted to rearrange responsibilities, tax and duty allocations, etc. between the central and the local government. For example, the decentralization plan indicated that 245 functions

<sup>34</sup> For example, in the public reorganization TAT who had responsibilities for promotion development (public relations and marketing), statistics keeping, and the development of new touristic products has been responsible only for public relations and marketing. After reorganization, the statistics and new touristic product development are now by law the responsibility of MOTs however, all of the statistics and tourism experts are in TAT.

under responsibility of the central government should be transferred to the local government, implying that both financial and human resources would be in the hands of the local government. The decentralization process gradually continued until 2002, when Thaksin Shinnawatra (Prime Minister 2001-2006) restructured the government by, for instance, increasing ministries from 15 to 20 and departments from 126 to 143 and inaugurating a CEO Governor (CEOG) policy. PM Thaksin's reform policies were contrary to former decentralization policies; instead of further reducing the powers of the central government, negotiations started between the central and the local government (Mutebi, 2004; Bowornwathana, 2007). This was having its impacts on regional tourism development.

*The functionalization:* Under the aforementioned decentralization policy, the tourism development task was one of the responsibilities that was to be transferred to the local government, thereby restructuring the power and authority. The local government had full financial and bureaucratic power to develop tourism for its local benefit. However, in reality the power and authority of the local government were dominated by the unelected CEOG. According to Mutebi (2004), the "CEOG" scheme<sup>35</sup> created new opportunities for national politicians to renegotiate central-local relations in favor of a more recentralized system while the decentralization process was going on. Because of this, the authority and power came back into the hands of the CEOG instead of the local government<sup>36</sup>. In the case of regional tourism development, the CEOG legally has all administrative authority and power to supervise all of the central government's delegated tourism related officials to cooperatively develop tourism in the region. In actuality the CEOG is not effectively empowered by the central government to manage the budgets and human resources because the officials' performance appraisal and promotion system as well as budgets have not been transferred to the CEOG. This makes it relatively difficult for the CEOG to strengthen the cooperation of tourism related officials in order to develop regional tourism<sup>37</sup>. There are many officials delegated by the central government who are involved in developing regional tourism, but they take tasks assigned by the central government as their first priority and the regional tourism development tasks given by the CEOG is considered a secondary priority. In sum, the CEOG has the formal power which overrules local government, but rarely has concrete means to develop tourism properly because central government has not empowered them.

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<sup>35</sup> The CEOG scheme, initiated in 2003, was inspired by the former PM. Thaksin Shinnawatra. He adopted and applied his corporate CEO style to public administration, running the country akin to running a corporation where, by metaphor, the provinces were like strategic business units. The CEOG takes charge of full management authority on budgets, personnel, and various assignments from the central government. To efficiently, effectively, and strategically serve locals' needs, the CEOG is empowered to "run" the province because departments and ministries have to delegate their powers, especially budget and personnel management to the CEOG. In addition, the provincial budget, known as the "CEOG Budget", has been initiated to manage the province based on this provincial vision.

<sup>36</sup> The Provincial Administrator of Ubon Ratchathani, interviewed 10 August 2010

<sup>37</sup> Head of Strategic and Provincial Development Section, interviewed 3 August 2010

As an example of tourism development consider the case of Pha Taem given by the Director of the Regional Environment Office (Region 12)<sup>38</sup> who described the functionalization of tourism related agencies. Pha Taem, a well-known attraction in Ubon Ratchathani, is a popular prehistoric rock painting on a cliff located in the Pha Taem National Park. Developing tourism at Pha Taem National Park requires at least three main departments to work together: the Tourism Authority of Thailand (TAT), the Department of Fine Arts, and the Department of National Parks. However, each department works only to achieve its own mission. The mission of TAT is to provide tourist information and to attract tourists to visit, that of the Department of Fine Arts is to preserve the heritage resource in its best condition, and that of the Department of National Parks is to maintain and enhance as much of the natural environment as possible. When tourists come to visit the Pha Taem, they have to walk down a natural footpath along the cliff to admire the painting. This causes the color of the painting to fade, especially under the impact of a huge trail of dust raised during the tourists' visit. To mitigate the negative visual impacts on the heritage site and protect the condition of the ancient painting, the officials of the Department of Fine Arts proposed the construction of a concrete footpath to reduce the dust. The officials of the Department of National Parks, however, disagreed with this proposal because they want to maintain as much of the natural environment surrounding the cliff as possible. A compromise between the agencies could not be achieved because of the lack of an effective central body having the power and authority as well as the resources to co-ordinate the direction of regional tourism development.

*The discontinuation of professional quality:* The public administration reform led to the establishment of the Ministry of Tourism and Sport (MOTS) in 2002. Tourism development and tourism marketing of Thailand had been the responsibility of TAT since 1959. TAT was an independent organization - a state enterprise under the authority of the Prime Minister's Office. However, the establishment of the MOTS has forced TAT to confine its role to the marketing tasks while the development task has been designated to the Department of Tourism. Moreover, the TAT officials who have long-term experience in tourism development have not been designated as the administrators in the MOTS. Instead, the high ranked administration posts at the MOTS are filled with officials of the Department of Physical Education who are inexperienced in the development of tourism. Painter (2006) mentions how the reorganization of the Thai government provided the opportunity to reward officials with promotions and transfers into new administrative posts in opened up departments. Consequences included delays in the decision-making and inefficient responses to specific situations<sup>39</sup>. This leads to the criticism that Thailand's tourism promotion policy is the worst in ASEAN because of an improper coordination between the production unit (the Department of Tourism) and the marketing unit (TAT) (Sritama, 2007). Besides, the

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<sup>38</sup> Director of the Regional Environment Office, region 12 Ubon, interviewed 5 August 2010

<sup>39</sup> Tourism expert at Ubon Ratchathani University, interviewed 3 June 2010

president of the Thailand Tourism Council<sup>40</sup> has judged the government policy as a “get lost strategy”, because Thailand’s tourism does not run properly with the MOTS and the TAT dividing the work. Some of the tourism informants expressed their negative evaluation of the establishment of the MOTS, indicating that it has worsened tourism development in Thailand.

“Instead of letting the TAT officials who are tourism experts plan tourism development in the country, the TAT does the marketing task only...they (the MOTS) don’t look at tourism as a system, so it is quite a serious problem for Thailand.” (Inf. 1)

“For Thailand, tourism and sport should be separated because of the different aims in that tourism is about economic development while sport is about social development.” (Inf. 9)

*The fragmented policy perspectives:* The administrative restructuring in Thailand reflects the Thai bureaucracy with its hierarchical and centralized characteristics. Rigg (1991) points out that this bureaucracy endangers the implementation of policies and projects because of the great number of different influential interest groups, politicians and civil servants. Because of these different interest groups (e.g. TAT and MOTS officials, and CEOG), the budget allocation for tourism development can become polarized and lead to a fragmented implementation of the development plan. Examples are presented in the interview with the Director of the TAT-Ubon Ratchathani Office<sup>41</sup> who confirmed the disintegrated budget deployment for the development of tourism in Ubon Ratchathani. That is, national and local politicians subsidize the development of cultural attractions based on hidden political agendas, to gain more votes from local citizens in return. The Department of Tourism is centrally oriented, striving to control and utilize their budget for developing and maintaining natural attractions in the region. The CEOG will pass on the CEOG budget to promote tourism development only if the CEOG is interested in it. All of this can be seen as indicative of the overlapping functions in developing regional tourism of Ubon Ratchathani as well as elsewhere.

### **3. The interaction between firm and policy levels**

According to Porter (1990: 128), governments can hasten or raise the odds of gaining a competitive advantage but lack the power to create that advantage themselves. The process of the creation of a regional competitive advantage is influenced by the positive or negative environment governments build for firms. If firms are enabled to respond to external conditions, either opportunities or threats, they can create competitive potentials through opportunities or can look for possible innovative ways to avoid threats in order to maintain

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<sup>40</sup> Mr.Kongkrit Hirankij, Weekly Manager, 16 October 2006.

<sup>41</sup> Director of the TAT-Ubon Ratchathani Office, interviewed 21 July 2010

their competitiveness. Thus, the competitive advantage of the region can be strengthened through a well-balanced relationship between firms and government. In this study, the interrelationships between firms and policy making will be analyzed in terms of the representation of these relationships in the regional tourism development strategy. We have distinguished (a) top-down relationships, (b) bottom-up relationships, and (c) horizontal relationships, all of which include in one way or another the collaboration of the public and the private sector.

a. Top-down relationships

In facilitating tourism production and marketing, the government may function in different ways. In this study we have focused on: providing training programs to the private sector, investing in tourism infrastructure, and promoting tourism in Ubon Ratchathani with the aim to develop a regional economy.

Based upon our interviews with tourism informants, training programs provided involve the improvement of language, hospitality, managerial, and marketing skills that are arranged at no cost by knowledge institutions in the province such as the higher educational institutions, productivity institutes. However, it seems that local tourism entrepreneurs fail to cooperate with the government, not only because firms are not formally informed of the programs and their busy business operation but also, as mentioned, because of the perceived low capability and low job loyalty of their employees that discourage entrepreneurs from allowing employees to attend such training programs provided by the government agencies (see also 5.1.1.3).

To stimulate regional economic development, the government has invested in the development of a tourism infrastructure. For instance, to stimulate trans-border tourism between Thailand and Laos, roads to the border have been widened from two lanes to four lanes (only the route from Ubon Ratchathani to Pakse, Laos); an immigration bureau office and a passport office have been opened; public transportation between the two countries has been arranged; the signposts to the destinations have been installed; and a shopping center is being negotiated. Although this contributes to the tourism sector of Ubon Ratchathani, accommodation firms rarely seem to reap benefits from it. According to some accommodation providers, Ubon Ratchathani is not recognized by tourists as a tourist destination but only as the gateway to neighboring countries. For the sake of inbound tourism, according to the director of TAT – Ubon Ratchathani Office, TAT tries to encourage accommodation firms to improve their quality to entice tourists to spend their nights in the province before crossing over the border to visit Laos, but up to this point, there has been no initiative to encourage tourists to spend a longer time in Ubon Ratchathani.

Public relations and the promotion of tourism are completely executed by TAT. According to Higham (2000), the Isan region as a whole is the least visited area in the country, even though one has the fascinating blend of Thai, Laos, and Khmer cultures presented in forms of archaeological sites. In order to promote tourism as a learning source, the campaign “The Cradle of Learning and Civilization” was launched (TAT, 2007). In spite of this, Choibamroong (2007) indicates the behavior of domestic visitors in terms of (in Thai) “Chom, Chim, Chop, Chi, and Theiy” or “to enjoy the scenery, try the indigenous beverages and cuisine, shop for souvenirs, stop by at the toilet, and take photos.” In other words, the tourism sector in Ubon Ratchathani experiences its market as relaxation instead of learning-based. Next, the new campaign “Amazing I-San 2008-2010” was introduced to replace the learning region theme (MOTS Report, 2008). This campaign promoted the region as an inexpensive destination, as ‘value for your money’, to use the words of TAT. Complementing this, TAT-Ubon Ratchathani promoted the scheme of traveling along the routes. Some tourism informants say that TAT’s public relations strategy led to no clear, unique selling point, because TAT omitted narrative content on the attractions, and information about the best times to visit them.

“Most travelers come to Ubon because it is inexpensive and they come to visit relatives here. So, they don’t intend to visit Ubon at all as they have no interesting place in mind...TAT prefers to promote traveling along the route without highlighting the places with narrative stories to increase the attractiveness of any site.” (Inf. 13)

“Ubon has only stones as attractions. It lacks a unique selling point. Tourists go to visit Pha Taem and then so what?...it’s hot and what’s next?” (Inf. 6)

“It is about how TAT communicates with tourists. Pha Taem is hot from the late morning until evening. So time management is important for Ubon tourists.” (Inf. 5)

Similarly, according to tourism informants, the tourism sector finds it difficult to sell inbound packages. Local tourism entrepreneurs subscribe to the idea that tourism in Ubon Ratchathani seriously needs a narrative. During the interviews, they asserted that:

“We offer the packages that include Ubon anytime. We want tourists to spend at least one night in Ubon but they don’t like it because they want to go straight to Laos as soon as possible. They spend two nights in Laos, come back to the airport [in Ubon], and immediately fly back to Bangkok. Then, Ubon is only the gateway and gets nothing from the tourists. The problem is Ubon doesn’t have an enticing narrative story to attract tourists.” (Iv. 9)

“The objective of TAT is to persuade tourists to stay in Ubon at least one night and we also respond to that, but 90% of tourists don't want to visit Ubon because they think Ubon is not interesting enough” (Iv. 8)

b. Bottom-up relationships

The workings of bottom-up relationships between the private sector and the government can be seen in the example of a trans-border tourism project, driven by the Ubon Ratchathani Chamber of Commerce (UCC)<sup>42</sup> and supported by the provincial and central governments.

Acknowledging the significant role of tourism, the UCC has ignited the development of a tourism-led regional economy (through trans-border tourism) to lead Ubon Ratchathani to the center of a regional economic circle in the Indochina region, based on its geographic advantage. The reason behind this is that although tourism resources in Ubon Ratchathani are varied, they are insufficiently attractive, compared to the world heritage site (Angor Wat) in Cambodia and to the unspoiled natural attractions in Laos (Kon Pa Pheng waterfall). Trans-border tourism between Ubon Ratchathani and Laos has been primarily initiated in order to attract mass tourists. In so doing, the purpose is to increase the number of tourists in Ubon Ratchathani and have the tourism sector respond to this by extending a wide range of services to welcome visitors. In practice, the trans-border tourism initiative led to winners and losers. Tour operators enjoy new business opportunities but accommodation providers do not, because tourists use Ubon Ratchathani merely as a gateway, resulting in Ubon Ratchathani as a transit place rather than as a tourist destination. Some tourism informants indicate that the more trans-border mass tourism has been promoted, the less tourists stay in Ubon Ratchathani. Recognizing this as a threat to inbound tourism promoted by the “Amazing I-San” promotion, TAT-Ubon Ratchathani has attempted to encourage the tourism sector to join the tourism fairs in Bangkok where people there have higher purchasing power. The tourism fairs are annually organized by the central TAT, aimed at stimulating inbound tourism to Thailand as a whole. TAT has partially subsidized these in order to encourage local tourism entrepreneurs to participate in the fairs. However, local tourism entrepreneurs in Ubon Ratchathani rarely participate in this event because they are skeptical about the possibility of gaining customers from the fairs. Instead, they are more interested in the MICE target market, related to the role of Ubon Ratchathani as the administrative center of the Lower Isan.

The director of TAT-Ubon Ratchathani says that growth of the MICE target primarily stems from the government officials (at all levels) who attend the meetings or seminars as part of the human resource development plan in the public sector. These meeting/seminar

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<sup>42</sup> Ubon Ratchathani Chamber of Commerce is local forum of private sector supporting economic information to the Joint Public-Private Consultative Committee (JPPCC) which is a national forum of public and private sectors to discuss about the management of macro-economic policy and national development strategy



events are mostly held in hotels and resorts. To respond to this potential MICE market, the accommodation sector has expanded somewhat; the largest convention center in the Northeast has been established in Ubon Ratchathani and tour operators also gain benefits by offering outbound tourism packages (e.g. Ubon Ratchathani to neighboring countries such as Laos, Cambodia, and Vietnam) to this target group.

Regarding the cross-borders ‘leakage’ of tourists, some tourism informants propose that it is time to more aggressively develop the strong points of the province. First, the tourism sector needs strong cooperation to have tourists spending their night in Ubon Ratchathani before crossing over to other countries. Secondly, niche tourism (i.e., religious tourism, community-based tourism) needs to be emphasized and seriously supported by the government. The availability of famous forest monasteries and a distinctive local life style provide points of distinction that could be leveraged. At the same time, the MICE target should be a driving force to stimulate the niche tourism markets.

“Tourism in Ubon depends on the business persons. They [tourism entrepreneurs] need to cooperate and organize a strong group to keep tourists in the province at least one night before going to Laos.” (Inf. 5)

“The competitive position of Ubon Ratchathani is much worse than other regions...Why do we have to focus on mass tourism. Of course, mass tourism can generate a lot of money but it is not sustainable, especially when local people get nothing much from it... My idea is that we have to turn to what we have, that is the temples and many venerated Buddhist monks and international Buddhist monks and if we can arrange this niche market, it would be better.” (Inf. 6)

“Isan doesn’t have any advantage in the weather or beautiful landscapes to attract tourists like other parts of Thailand. What Isan has is communities in which the visitors can come to learn, interact, and exchange knowledge...Mass tourism is not a solution for Isan, but community tourism is sustainable...I think community tourism should reap benefits from the MICE target because they are educated. I think it would benefit local communities if the government seriously promotes niche tourism development in Ubon.” (Inf. 7)

#### c. Horizontal relationships

Examples of horizontal relationships concern collaborations around the preservation of local culture<sup>43</sup> and the zero waste projects<sup>44</sup>. Here, from a tourism development perspective, we raise as an example the candle festival event.

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<sup>43</sup> Head of the Cultural Encouragement Division, Ubon Ratchathani Cultural office, interviewed 2 August 2010.

<sup>44</sup> Director of Ubonratchathani Natural Resources and Environment Office, interviewed 4 August 2010.

Ubon Ratchathani's traditional candle festival is renowned at both national and international levels. In 1997, the festival was launched in the "Thailand Grand Festival" official marketing campaign, and later, in 2002, it was scheduled in the "Amazing Thailand Program" (Hongsraragon, 2008). It is held annually for about three days in July during the period of Buddhist Lent. Extremely beautiful candles are made by carving beeswax. As part of a competition between communities, the candles are decorated with paper strips before being placed on carts or cars to be taken along in the candle parade to the Thung Sri Muang (a park in central Ubon Ratchathani) before being presented to the monks in each community. The festival is supported by the government sector as part of activities to conserve traditions and as part of the regional economic development plan (especially tourism development).

In order to preserve the authenticity of the candle festival, the provincial government together with TAT-Ubon Ratchathani involves local senior citizens to guide the traditional theme of the festival. However, this traditional candle festival is faced with challenges from other provinces such as Surin, Korat, and Suphanburi, where candle festivals have been adapted to support their provincial selling points. The candle festival in Ubon Ratchathani is possibly losing its competitiveness. This is compounded by the fact that the festival is perceived by the younger business generation as a static product that is not innovative enough to attract more tourists. According to the President of Ubon Ratchathani Industrial Council<sup>45</sup>, the younger business people introduced ideas to make the festival more attractive by investing a greater amount of money in the event. To preserve this traditional culture, money could be provided by the private sector through commercial sponsorship. However, both the provincial and local governments are bureaucratically oriented and simultaneously the seniority-based culture influenced by senior citizens is likely to play a significant role in this festival. Based on the interview with a director of TAT – Ubon Ratchathani branch, facilitated by the government, the candle festivals in other provinces are successful because of the strong cooperation of the private sector itself which is little seen in Ubon Ratchathani. The old entrepreneurial culture seems threaten Ubon Ratchathani competitiveness. As a result, the conservation of traditional culture via the candle festival is at the crossroads of cultural and economic development.

"It is difficult to change the view of senior citizens to adapt the festival to be innovative. They [senior citizens] are afraid of the cultural dilution." (Inf. 11)

"I think in the future Ubon will absolutely lose its competitive advantage because the government officials don't dare to make decision. They follow whatever the senior citizens say." (Inf. 13)

"I don't think the candles are beautiful at all. We need more money to invest in the candles." (Inf. 4)

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<sup>45</sup> President of Ubon Ratchathani Industrial Council, interviewed 9 August 2010.

To enhance the economy of Ubon Ratchathani, every year the provincial government and TAT put public relations efforts into promoting the festival. However, the tourism sector takes advantage of this opportunity by overcharging the lodges while service quality remains the same. Noticing higher prices but low quality, visitors tend to spend their nights in neighboring provinces where lodging costs are lower. Government officials complain about the high degree of self-interest of the tourism entrepreneurs:

“The government sector has pushed hard to provide PR for attracting tourists to visit Ubon. However, hotels increase the room rates from 1,200 baht to 2,200, 2,400 even 5,000 baht per night...hoteliers say it is only once in a whole year they have a chance to make a profit. It is so intolerable! ...they don’t realize how hard it is to attract tourists.” (Inf. 9)

“Ubon business persons are not tourism oriented. Look at the hotel sector that doesn’t improve the quality...Ubon entrepreneurs are of the type that don’t want to lose anything but want to get everything.” (Inf. 3)

Above, we analyzed three types of relationships between firms and the government by looking at three aspects, namely relationships, information exchange, and collective activities. The relationships between government and firms are dominated by a formal structure, and organized in terms of obligations (Wasserman and Faust, 1994:18; Stokowski, 1994:61). The government has the authority and power to create a positive environment for the tourism sector and the tourism firms seek business opportunities influenced by public infrastructures to individually create wealth and generate job employment for local citizens. Thus, these interdependent relationships are a mechanism contributing to regional development. Taking information exchange as an example, the exchange generally takes place around collective activities such as joint tourism fairs, joint efforts to facilitate visitors, joint ideas to preserve cultural heritage. Although activities are collective, generally we found a low level of cooperation between the firms and the administrative level. The underlying cause concerns the contrasting objectives. At all levels, government actions are based on a long-term objective to develop the region as a whole (i.e., government’s interventions in promoting tourism, preserving cultural heritage, financing firms to join fairs, subsidizing firms through seminar activity, and investing in infrastructure). Instead, entrepreneurs are led by a short-term objective of improving their individual business performance (i.e., overcharging visitors, exploiting existing promotions of the government, and waiting for government subsidization). The result is that the provincial government points to the greed of entrepreneurs and the firms accuse the government of rigidity. The different objectives lead to a low level of cooperation, and thus to an inefficient and ineffective pooling of knowledge, expertise, capital, and other resources to strengthen the competitive position of Ubon Ratchathani. To be able to stay competitive at the national and international levels, the cooperation at both levels has to be tightened up, and a long-term strategy to develop the regional tourism needs to be communicated between local entrepreneurs and the government.

### Conclusions with regard to firm strategy, structure, and rivalry

In summary, at the firm level, tourism structure in Ubon Ratchathani incorporates small- to medium-sized enterprises owned by families where the entrepreneurial culture might induce little cooperation with others. Together with the low barrier to entry in the industry, the high level of competition, the price-sensitive indigenous market, and the low level of law enforcement, this has created a pressure for firms to implement low prices strategy, instead of developing innovative tourism products/processes. To be able to remain competitive at a trans-regional and international level, the tourism sector will need to improve its product/service qualities. It is likely that the public administrative reform has constrained regional tourism developments because it has brought about a weakening of the central-local cooperation, a vertical public administration, discontinuation of professional quality, and conflicts between different political perspectives.

The development of regional tourism critically needs related parties in public and private sectors, working together to achieve common goals, attracting visitors to spend a longer time and more money in Ubon Ratchathani, thus contributing to the regional tourism competitiveness. Basically, the low level of cooperation is due to different objectives and working styles. While the public sector focuses on long-term objectives to develop the regional economy and follows a bureaucratic administrative style, the private sector has a tendency to underline short-term objectives to generate individual wealth and follows a more flexible management style. Thus, available resources are not well-combined to develop the region.

## **5.2 The overall conclusions**

Our use of Porter's original Diamond model (1990), as a framework for tracking down the competitive advantage of tourism in Ubon Ratchathani, indicated that the overall competitive advantage of tourism in Ubon Ratchathani is rather low (see also Table 5.15). Figure 5.2 shows that there are more weaknesses (minuses) than strengths (pluses), implying that the tourism sector in Ubon Ratchathani fails to respond to national and international competition (e.g. Laos and Cambodia), and at the moment has no determinants that could lead the sector to gain a competitive advantage.

According to Porter (1990: 69), the home environment is the context where the regional tourism strategy is set, the core tourism product/process development arises, and the essential tourism skills reside. The home environment is accordingly a critical platform for a competitive strategy in the tourism sector. In a globalized environment, the competitive advantage of regional tourism destinations is highly dynamic and they will rapidly lose out to other destinations where a more dynamic developmental environment is created because the dynamic environment motivates the tourism sector to upgrade, innovate, and improve

service quality. Under conditions of saturation and high competition, the enhancement of a destination's competitiveness through the application of an assessment tool like Porter's Diamond model is deemed important because the results of this assessment can stimulate the development of an economic strategy to assist the tourism sector to become more competitive, both nationally and globally.

**Table 5.15 The summary of the evaluation of tourism in Ubon Ratchathani**

Determinants	Indicators	Evaluation results
1. Factor conditions		
1.1 Physical resources	(a) The generic physical traits of Ubon Ratchathani	- Located in the eastern-most part of Thailand, 600 km. from BKK. - Border connected with Laos and Cambodia - Hot climate
	(b) The availability of tourism products (attractions)	- Six tourism products available - Scattered and distant attractions
1.2 Human resources	(a) The availability of tourism labor (supply and demand)	- > 6,200 tourism/hospitality graduates finishing from higher educational institutions each year - Low demand for highly educated employees
	(b) The quality of tourism employees and the improvement of service quality	- Low quality of tourism employees - Low level of the service quality improvement
	(c) The cost of tourism employees	- Low cost of tourism employees
1.3 Knowledge resources	(a) The presence of knowledge resources (at the government level)	- Availability of tourism/hospitality knowledge institutions - Availability of training programs and research reports related to tourism development
	(b) The level of investment in knowledge development by the tourism sector	- Low level of knowledge investment
1.4 Capital resources	(a) The availability of financial institutions	- Availability of financial institutions
	(b) The financial loan practices	- Most employ family money
1.5 Infrastructure and tourism facilities	(a) The availability of transport infrastructure and tourism facilities	- Sufficient transport infrastructure and tourism facilities
	(b) The quality of transport infrastructure and tourism facilities	- Low quality of transport infrastructure and tourism facilities

**Table 5.15 The summary of the evaluation of tourism in Ubon Ratchathani (continued)**

<b>Determinants</b>	<b>Indicators</b>	<b>Evaluation results</b>
2. Related and supporting industries	(a) The presence of tourism related industries	- Availability of local tourism suppliers
	(b) Collaborative practices in the tourism value chain	- Tourism associations exist - Low cooperation in the tourism value chain
3. Demand conditions	(a) The quantity of visitors	- Low number of visitors
	(b) The visitor spending power	- Low spending power
	(c) The motivation and evaluation of visitors	- The interesting places, the cheap price, and the proximity to other provinces and neighboring countries
4. Firm strategy, structure, and rivalry	(1) The production climate (at the firm level)	
	(a) The tourism sector structure	- Small-scale and family owned firms
	(b) The rivalry environment	- Price competition - Low barrier to entry
	(c) The strategy	- Low price strategy caused by sensitivity to price demand and the existing entrepreneurial culture
	(2) The governance structure (at the policy level)	- Low cooperation caused by the negotiation of central-local (regional) relationships, the functional orientation, the discontinuation of professional quality, and the different political perspectives
	(3) The interaction between firm and policy levels	
	(a) Top-down relationships	- Low cooperation from the private sector
	(b) Bottom-up relationships	- Mass tourism focus - Tourism leakage to Laos
	(c) Horizontal relationships	- Low cooperation between the private and public sectors

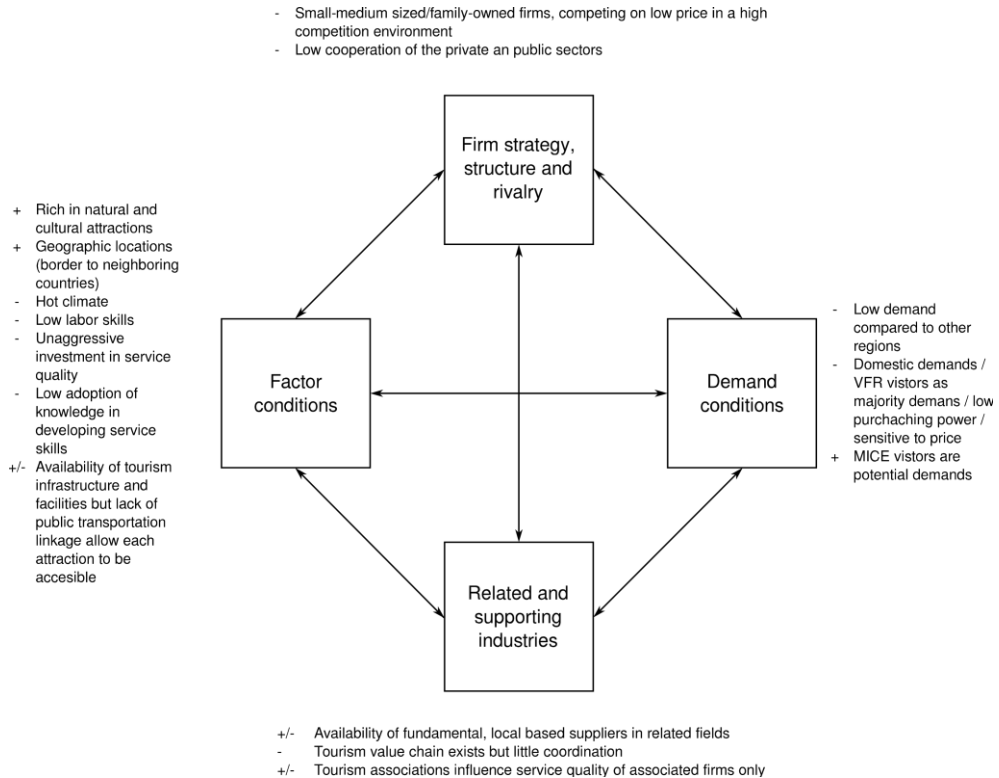


Figure 5.2 Porter's diamond model's tourism in Ubon Ratchathani

### 5.3 The possible resulting strategic agenda based on Porter's Diamond model (1990)

This section provides possible implications of applying Porter's Diamond model in assessing tourism in Ubon Ratchathani in terms of its competitive advantage. There are five likely development strategies we will deduce:

1. *Implementing a more targeted economic information system:* Investigating the economic development perspective of regional tourism development through the application of Porter's Diamond model implies a need for a more targeted information system which meets the indicator requirements. The information system can support the decision making process of related parties to set strategic agenda's and develop a more comprehensive regional tourism strategy. Based on our own experience we can see how the lack of data, together with the scattered and fragmented data available, makes it difficult to assess the current status of tourism development in Ubon Ratchathani. Without a well targeted information system, it will be problematical to facilitate the economic competitiveness of tourism in

Ubon Ratchathani, motivating relevant parties to collaborate to look for new market opportunities, and/or adjust marketing strategies. Developing a stronger competitive advantage of regional tourism in Ubon Ratchathani needs a more adequate economic information feedback system, accessible to both different levels of administration and to entrepreneurs, in order to inform the development process over time, thus enabling relevant parties to learn whether their actions have the desired results.

2. *Stimulating the competitive advantage of the tourism system:* The assessment model used, aims at the need for a more positive business environment in Ubon Ratchathani as an effective driver to stimulate tourism firms to increase their competitive capability, or in Porter's term "productivity." Porter's model indicates two possible ways to encourage the competitive advantage of the tourism system:

- Through macroeconomic reform policies: The important role of the government sector is to create a favorable context for increasing productivity in the microeconomic system. For instance, through announcing tourism as a part of the national agenda with a vision of becoming the home of the top five destinations in Asia and to increase tourism income by five percent<sup>46</sup>, government policies play a crucial role in stimulating a sphere of productivity improvement in the tourism sector. For instance, to improve the service quality in the tourism sector, one could look at the educational system which would be able to stimulate not only a skilled labor force (technical, foreign language, and hospitality skills), but also could help in balancing labor demand and labor supply in the tourism sector through the public-private planning on tourism development. To raise tourism standards, tax and regulation systems are vital in producing something of a level playing field, enabling entrepreneurs a fair domestic competition. To increase the new investment in tourism, there is a need to change from a vertical, bureaucratic system to a much more horizontal system where grassroots business contacts become significant.

- Through cluster development strategies: The competitiveness of regional tourism is dependent on an ability to provide tourists with high quality experiences. Different from conventional economic sectors where the quality of products is more instrumental and tangible, tourism sells experiences whose quality depends very much on the perception of tourists. At the same time, the ongoing fragmentation of tourism segments makes it difficult to ensure tourists are satisfied by high quality hospitality. To be able to ensure a high quality experience for tourists, cluster development strategies are essential because all actors in the tourism chain are vital to achieve a positive tourism experience throughout the action chain. Through tourism cluster development

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<sup>46</sup> Inside Thailand, Thailand's National Tourism Development Plan, The Government Public Relations Department, Office of the Prime Minister. [http://thailand.prd.go.th/view\\_news.php?id=5525&a=2](http://thailand.prd.go.th/view_news.php?id=5525&a=2), retrieved 20 August, 2012.



strategies, the innovation chain can be created, knowledge and innovation can be transferred, tourist experience values (service and hospitality) can be added, and the unique selling points of the destination can be enhanced, thus generating an increased economic value. Significant here is the role of the tourism associations in dealing with the cooperative process in the cluster. It might strengthen both collaboration and the leadership of the private sector in negotiating with the government to influence public policies. In addition, the tourism associations are the center of information collection and distribution (e.g. hotel/tourism standards, benchmarking) and professional training. Further, through tourism associations, procurement can more effectively be provided with joint purchasing programs for its members.

3. *Improving the strategic position of firms:* Tourism tends to be a price-sensitive industry. Competing on price, without unique selling points and value added products, tends to bear high risks for weak firms to be eliminated in competition over the long term unless they are able to differentiate their products by constant upgrading of products to increase tourist satisfaction and thus tourist expenditures. The main reason is that the arrival of big and powerful firms is able to erode the profits of small/medium sized firms by passing on productivity advances to customer in the form of lower prices. In doing so, small/medium sized firms will not be able to handle the pressures of low price competition. Therefore, it is necessary for tourism firms to strengthen their strategic position by changing from a pricing strategy to a quality strategy, centered on an economic value-added position in the regional-global demand chains. The shift in the competitive position will open new windows of business opportunities for local tourism firms to work together with international tourism firms. The rise of local tourism firm's service standard will make it easier to be recognized by international tourism firms (e.g. TUI and Thomas Cook) seeking to develop their new markets in the region of Ubon Ratchathani.

4. *Improving public – private collaboration:* According to Porter's model, while the essential role of the public sector is to signal conditional opportunities and threats that influence the way the private sector competes, the strategy of the private sector has to be to modify itself to explore and exploit competitive opportunities. That is, the public sector has the indirect role and the private sector has the direct role to enhance the economic competitiveness of the region. Hence, a well balanced level of collaboration between them will contribute significantly to achieving a competitive advantage for regional tourism. New forms of public – private partnership could be aimed at securing new investments in the region, productivity learning, destination development and marketing, and service improvement. For example, the tourism association and higher educational institutions and specialized research institutes may have joint research projects to increase the productivity of tourism firms, may have specialized partnership programs to produce tourism/hospitality students qualified for the need of the tourism sector, may search for the innovative human resource management to maintain skilled tourism labor in small/medium organizations, and may have the standard

partnership programs to set tourism/hotel standards and testing to improve tourism service quality. At the same time, the tourism sector might need to increase wage rate for qualified employees based on the “equal work for equal pay” approach. In another example, the tourism sector and TAT may have co-marketing programs including, for example, tourism trade fairs, and promoting the unique selling points in order to increase regional tourism attractiveness.

5. *Searching for new market opportunities:* An active role of the tourism sector in stimulating the competitive advantage of regional tourism implies an ongoing search for new market opportunities which are able to stand out nationally and internationally, focusing on core values of comfort, pleasure, and experience. In this context, the efficient and effective utilization of regional tourism resources is very significant. While paying much effort to enhance the established mass tourism markets (e.g. the cultural tourism - the Candle Festival, the natural experience – National Parks, and the trans-border tourism), in the context of Ubon Ratchathani the richness of the forest Buddhist monasteries and traditional handicraft communities might deliver new tourism opportunities for niche markets. Examples could include Buddhism meditation tourism, organic agriculture/simplified living style experiences, community-based tourism, and small scale, participatory cultural and traditional events tourism. Searching for new tourism markets needs the initiative and leadership of the entire tourism sector to add more experience values (authenticity) to fit global trends.

## 5.4 Conclusion

In the face of tourism as an economic driver for regional development, the strategic approach to stimulate a region's destination competitiveness has become a central focus of this study. In applying Porter's Diamond model, four determinants of a competitive advantage of nations have been operationalized. Various types of information were gathered to assess the competitive position of tourism in Ubon Ratchathani. An analysis of the results in terms of Porter's perspective gives us the following understanding of tourism in Ubon Ratchathani.

At this point in time, the level of competitive advantage is rather low, with strategies predominantly being price oriented as the indigenous low cost market and the entrepreneurial culture (seniority-based culture) lead to price competition. Factor costs are minimized and factors are not upgraded to be advanced and specialized. Innovation and service quality improvements are ignored. Vertical (the tourism sector and the government sector) and horizontal (within the tourism value chain itself and across sectors) relationships display low levels of cooperation, demonstrating an inability to generate innovation of products and processes. This situation causes regional tourism to remain uncompetitive.

To improve the competitive advantage of tourism in Ubon Ratchathani, it is very important to improve the strategic competitive position of tourism firms by focusing more on a quality strategy, than a pricing strategy. Instead of focusing on low cost, demand-led markets, tourism firms should initiate the supply-led development by adding more customer value through the provision of high quality and innovative products/services, leading to not only a high barrier to entry because procedures are not easily imitated, but also creation of high economic value because customers are willing to buy if they perceive the value of such products or services is greater than the costs they have to pay. To achieve this, investment in both human and knowledge resources is needed to increase productivity. At the same time, considering competitive environments is also crucial for tourism firms to assess their competitive capability in relation to other competitors in different destinations. Particularly, under the current constraint where Ubon Ratchathani is perceived as a gateway to Laos, stimulating the competitive advantage of the Ubon Ratchathani tourism system by developing cluster initiatives is required because cluster development contributes to collaboration between organizations (public – private sector, and private – private sector) in line with a clear and shared vision of increasing the competitive position of the regional tourism market. In so doing, collaboration between organizations, especially the knowledge institutions (universities), the government, and the entrepreneurs, can lead to innovative tourism products and processes that can be delivered to tourists. The reason is that the collaborative role of each organization enhances the link between innovation and socioeconomic development. Universities have the research and development capability to produce new ideas and provide entrepreneurs (and students) with skill training programs and new knowledge and techniques. The government has the authority and power to generate the innovation policy that can support the innovation spaces for new economic opportunities since the role of the government at all levels, particularly the local government, is crucial in order to establish a favorable industrial environment through macroeconomic reform policies; firms alone cannot do this. The entrepreneurs have the capability to invest in the innovative product/service development through the application of knowledge, technique, and skills transferred from educational institutions. Thus, through cluster initiatives, projects to change Ubon Ratchathani's image from "a gateway" to "a destination" could be developed, if only tourism entrepreneurs look at long-term competitive advantage by joining into cluster initiatives, learning from best practices of other members in the cluster and other competitors in other destinations, and improving their strategic position to be more quality oriented. Other than the traditional mass tourism development which is rather high competition (such as the Candle Festival), new niche markets of regional tourism should also be searched for in order to develop new economic opportunities. In order to develop new economic opportunities a more comprehensive and informed tourism development strategy that provides feedback loops necessary for the internal development and opportunities for new market development is needed. An

approach based upon Porter's Diamond model would stress the importance of the current state of Ubon Ratchathani and would help in locating strong and weak points, as well as, threats and opportunities in Ubon Ratchathani's tourism development. This would also facilitate policy makers' and related persons' decision making processes in strategic regional tourism management.



## Chapter 6     Assessing the tourism system: the Telos Sustainability Balance Sheet (TSBS)

In Chapter 5, we applied Porter's Diamond model to assess tourism in the province of Ubon Ratchathani. The application of Porter's Diamond model provided us with a specific economy based perspective on how the tourism sector in Ubon Ratchathani (and the related destination) can achieve a competitive advantage. However, those who want to assess the tourism system have to take into account that tourism has some specific characteristics distinct from commodity based economic activities (Schianetz, *et al*, 2007; In't Veld, 2006; Mommaas, 2006). First, tourism is a dynamic industry where demands involve social dilemmas bringing both negative and positive impacts on the destination. Second, tourism is a rather fragmented industry, comprised of many parties located in both the 'space of flows' and the 'space of places' that could create not only interactions but also tensions between human and non-human entities. Third, tourism has regional natural and cultural values as its main resources that need to be enduring and resilient but tourism often destroys the very resources on which it primarily relies. Tourism thus is not just an economy, but it is part of a wider network of activities in which economic, social, and ecological values circulate and tourism affects the resilience of these values while at the same time depending on them. To incorporate this, we need an alternative assessment tool that can give us a more inclusive perspective to look at the existing state of tourism in Ubon Ratchathani more comprehensively.

The aim of this chapter is to study the application and implications of using a broader sustainability tool in comparison to Porter's Diamond model, using Ubon Ratchathani as a study area. The following research questions are addressed in this chapter:

1. *How can the TSBS be applied in evaluating sustainable development of tourism in Ubon Ratchathani?*
2. *Based on this analysis, what are the implications in terms of suggestions for a further strategy development for sustainable development of tourism in Ubon Ratchathani?*

The assessment of sustainable regional tourism development of Ubon Ratchathani is described in section 6.1. Section 6.2 provides the implications of the application of the TSBS. Finally, the conclusion of this chapter is illustrated in section 6.3.

## **6.1 Tourism assessment**

Although the unsustainability element of tourism comprises primarily transportation and only secondly the possible degradation of natural/cultural attractions resources, here we focus on the sustainability development at the regional level. We would like to see how tourism as an economic sector interacts with regional ecological and cultural conditions. As illustrated in Chapter 3, the TSBS is specifically developed to assess and monitor regional developments and answer the question of whether or how sustainable that development is in terms of comparative developments over time. It does this by looking at (1) economic, (2) social-cultural, and (3) ecological aspects, thus assessing the status of the three ‘capitals’ and weighing out the pros and cons of the development of each capital against its impact on the development of the other capitals. The assessment is initially based on close cooperation between experts and local stakeholders. In this study, the TSBS has been applied to deliver an alternative assessment of the quality of tourism in Ubon Ratchathani. Some elements have been adjusted to the specific regional tourism context, and the involvement of local tourism entrepreneurs and tourism informants has been restricted to their involvement in data collection procedures (see Chapter 4). This was needed to make the TSBS applicable for our research in the Ubon Ratchathani situation, given the available resources. In this account of the research, we will look at the economic capital dimension in section 6.1.1, the ecological capital in section 6.1.2, and the socio-cultural capital in section 6.1.3.

### **6.1.1 Economic Capital**

According to the TSBS<sup>47</sup>, the quality of the economic capital is assessed by looking at 7 stocks: (1) capital goods, (2) labor, (3) knowledge, (4) economic structure, (5) spatial conditions, (6) energy, and (7) infrastructure (see also Chapter 3 and Appendix 1). In adapting the TSBS to a sector, instead of to a region, we selected stocks, requirements, and indicators that were suitable to our specific circumstance (Dagevos, 2008: 9). In this study, we have adopted stock (1) – (5) and operationalized some indicators to the case of Ubon Ratchathani, whereas stock (6) – (7) have been put aside. As for the methodological argumentation behind this, see Chapter 4.

#### **6.1.1.1 Capital goods**

According to the TSBS, the major function of a region's economy is to generate economic welfare, by generating products and services. The quality and quantity of the

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<sup>47</sup> De Duurzaamheidbalans van Brabant 2010, Telos Brabants centrum voor duurzame ontwikkeling

production and services in a region are, according to the TSBS, strongly determined by the quality and quantity of the available capital goods. These capital goods concern man-made goods (technology) available to produce goods or deliver services, i.e., buildings, machinery, and means of transport. The larger the stock of these capital goods is, the easier it is for a regional economy to produce products and services and increase income of the people living in that region. The level of (re)investment and the volume of financial means to make these investments are the main indicators to assess the capital goods. In case of the tourism sector in the province of Ubon Ratchathani, these indicators have been operationalized as 1) the level of (re) investment by the tourism sector in the local economy and 2) the level of business cooperation for new investments.

As can be seen from Table 6.1, the study shows that only a few of the investigated tourism firms really support the regional economy by buying products from local retailers. They mostly obtain products from huge internationally owned superstores such as Makro and Tesco. The next question might be how much these firms re-invest in the region. Our research restricted itself to the tourism sector and hence did not include other parts of the regional economic value cycle. More interesting here is the fact that almost all investigated tourism firms invest little, and in a very passive way. Mostly, they only invest in the extension of already existing business activities, for instance, the expansion of guestrooms, or adjacent facilities such as internet, air conditioning, trip arrangements. Based on our interviews, it can be concluded that the tourism entrepreneurs in Ubon Ratchathani are mainly risk avoiding. Most firms are small and medium sized, and family-owned. Their investments are low and they do not borrow money from financial institutions. The only money they invest is their own, derived from personal or family savings. They tend to run their business in a routine and protective way based on mistrust of other entrepreneurs and outsiders. As a consequence, the contribution to job creation and regional development is rather low. This is reflected by official statistics. The contribution of the hotel and restaurant sector to the regional GPP in 2009 was only 1.2% of GPP<sup>48</sup> (Ubon Ratchathani Statistics Office, 2010).

In addition, Table 6.1 indicates that the level of cooperation between tourism enterprises themselves, within the tourism sector, and with other economic sectors is low. The main contacts tourism firms have is with their intermediate business partners such as wholesalers/retailers and transportation firms, and that is only about 3-4 times a month and very routine-based. The low level of cooperation makes it difficult for local tourism entrepreneurs to develop a broader network and diversify. This further decreases the prospect of new investment possibilities.

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<sup>48</sup> This sector represented the tourism sector as a whole.



**Table 6.1 The contribution of the tourism sector in Ubon Ratchathani in terms of capital goods**

Indicators	Evaluation**		Data required	Research result summary (Unit: firm)	
	Accom.	Tour		Accom.	Tour
1. Capital goods				N = 60	N = 23
1.1 The level of (re-) investment by the tourism sector in the local economy	Low	Very low	1.1.1 Support of local economic cycle		
			Buying products from international chain business (e.g. Tesco)	29 (69%)	23 (100%)
			Buying products from small local retailers	13 (31%)	0 (0.0%)
			Missing data	24	0
	Very low	Low	1.1.2 Types of business expansion		
			External expansion (diversification)	1 (2.1%)	1 (5.3%)
			Internal expansion	39 (81.3%)	14 (73.7%)
			Wait and see (in the process of evaluating business environment)	1 (2.1%)	4 (21.1%)
			Have no idea	3 (6.3%)	-
			Not specified	4 (8.3%)	-
			Missing data	12	4
	Low	Very low	1.1.3 Financial structure of investment		
			100 % personal saving: 0% bank loan	24 (40%)	13 (57%)
			50%-70% personal saving: 50% - 30% bank loan	9 (15%)	4 (17.4%)
			< 50% personal saving: >50% bank loan	4 (6.7%)	0 (0%)
			0% personal saving: 100% bank loan	3 (5%)	1 (4.3%)
			100% government budget	2 (3.3%)	0 (0%)
			Not specified	18 (30%)	5 (21.7%)
1.2 The level of business cooperation for new investments	Very low	Very low	1.2.1 Content of relationship		
			Joint research/developing new products/services	0 (0.0%)	0 (0.0%)
			Exchange information	7 (11.7%)	0 (0.0%)
			Routine business interaction (e.g. buy goods/services)	53 (88.3%)	22 (100.0%)
			Not specified	0	1

**Table 6.1 The contribution of the tourism sector in Ubon Ratchathani in terms of capital goods (continued)**

Indicators	Evaluation**		Data required	Research result summary (Unit: firm)	
	Accom.	Tour		Accom.	Tour
1.2 The level of business cooperation for new investments	Very low- Low	Low	1.2.2 Frequency of contact		
			> 8 times a month	0 (0.0%)	2 (13.3%)
			4-8 times a month	5 (5.6%)	6 (40.0%)
			< 4 times a month	26 (94.4%)	7 (46.7%)
			Not specified (based on the number of tourists)	29	12

Source: this research

Remark: Evaluation \*\* = see Appendix 4 (Table 1, 2) and the assessment is based on the information collected in 2010.

#### 6.1.1.2 Labor

Labor refers to contract-based labor which contributes to the production of products and/or services. As stated in the TSBS, the availability of labor, that is the balance in both the quantity and quality of labor supply and labor demand in the region is vital for economic development. A resilient labor market, good labor conditions, and safety and health conditions, influence the ongoing production process. In the context of the tourism sector in Ubon Ratchathani, we translated labor in terms of the equal opportunity of labor in accessing the labor market and the contribution of the tourism sector towards good conditions for labor. We operationalized indicators in terms of 1) the access to tourism firms for different labor groups, and 2) the overall function of the touristic labor market in the region.

Table 6.2 shows that the diversity of labor forces (e.g. sex, aged, and disability) in the tourism sector is rather low. According to our interview results, most of accommodation firms mostly employ young female adults, due to their presumed housekeeping skills, whereas most tour operating firms mostly hire young male adults, based on their presumed ability to adapt to and handle more situations that require strength, speed and personal safety (but surely also because they are relatively cheap). The later might include dealing with emergency situations and traveling to locations that at times are less safe. Besides, most firms do not employ mature adults (+ 55 years old) or the disabled. The figures indicate a partial sex, age and physical (dis)ability discrimination.

**Table 6.2 The contribution of the tourism sector in Ubon Ratchathani in terms of labor**

Indicators	Evaluation**		Data required	Research result summary		
	Accom.	Tour		Accom.	Tour	Unit
2. Labor				N = 60	N = 23	firm
2.1 The access to tourism firms for different labor groups	High	Mod.	2.1.1 Number of men and women working in tourism sector	-	-	-
			- Male employees	625 (41%)	129 (66.5%)	pers.
			- Female employees	961 (59%)	65 (33.5%)	pers.
			- Not specified	3	1	firm
			Total	1,586 (100%)	194 (100%)	pers.
	Very low	Very low	2.1.2 Number of the old (+55 years) working in tourism	0 (0%)	0 (0%)	pers.
	Very low	Very low	2.1.3 Number of disabled workers working in tourism	3 (0.19%)	0 (0%)	pers.
2.2 The overall function of the touristic labor market in the region	High	High	2.2.1 Number of workers born in Ubon (origin of labor)	-	-	-
			- Ubon Ratchathani born	1,422 (89.6%)	180 (86.9%)	pers.
			- Non-Ubon Ratchathani born (Thais)	164 (10.4%)	27 (13.1%)	pers.
	Low	High	2.2.2 Number of workers from the neighboring countries	5 (0.3%)	8 (4%)	pers.
	Mod.	Low	2.2.3 Health condition of labor	-	-	-
			- Number of employees insured under the Social Security Act	1,455 (91.7%)	155 (74.8%)	pers.
			- Number of employees not insured under the Social Security Act	131 (8.3%)	52 (26.2%)	pers.
			Total	1,586 (100%)	207 (100%)	pers.
	Not difficult		2.2.4 Difficulty to fulfill tourism vacancy for specific position*	-		
			- Number of tourism/hospitality graduates in average per year	> 6,200		pers.

**Table 6.2 The contribution of the tourism sector in Ubon Ratchathani in terms of labor (continued)**

Indicators	Evaluation**		Data required	Research result summary		
	Accom.	Tour		Accom.	Tour	Unit
2.2 The overall function of the touristic labor market in the region	Moderate		2.2.5 Proportion of labor forces in each sector in labor market	-		
			- Number of employees in hotels and restaurants	40,969 (4.5%)		pers.
			- Number of employees in wholesale and retail sector	125,566 (13.9%)		pers.
			- Number of employees in agricultural sector (include fishery)	508,103 (56.2%)		pers.
			- Number of employees in educational sector	20,816 (2.3%)		pers.
			- Number of employees in manufacturing sector	54,638 (6.0%)		pers.
			- Number of employees in construction sector	65,409 (7.2%)		pers.
			- Total number of employees in Ubon Ratchathani**	904,805 (100%)		pers.

Source: this research and \*\* = data from Ubon Ratchathani Statistics Office (2008 year data based)

- Remark 1:**
1. *Difficulty to fulfill tourism vacancy for specific position*\*= interview results from tourism experts and local tourism entrepreneurs (22 accommodation providers, 11 tour operators)
  2. Number of employees in hotels and restaurants represents employees in the tourism sector of Ubon Ratchathani as a whole
  3. Evaluation \*\* = see Appendix 4 (Table 1, 2) and the assessment is based on the information collected in 2010.
  4. pers. = persons

Based on data in the Ubon Ratchathani Statistics Office, the tourism sector shows a relatively low contribution to the overall employment (4.5%) in relation to other provincial economic sectors. When compared to the economic contribution to the regional economy of the tourism sector (1.2% of the Ubon Ratchathani GPP), the tourism sector contributes three times to employment which implies cheap labor costs in the sector itself. Our research data give us insight into the qualitative background of this tourism labor market. Most of the tourism laborers are Ubon-born, in good health, and insured under the Social Security Act. In addition, local tourism entrepreneurs tend to hire labor from neighboring countries, i.e. Laos and Cambodia, because, according to one tourism expert<sup>49</sup>, they are hard working and their labor costs are cheaper, but local tourism entrepreneurs rarely inform the Ubon Ratchathani Provincial Labor Protection and Welfare Office because they want to keep costs of operation low by not registering this labor in the Social Security Fund (see also topic

<sup>49</sup> The result of interview from the tourism informant at Ubon Ratchathani University, interviewed 3 June 2010.

6.1.3.2 for more information). If this hiring trend increases, these differences in labor costs, and the related hiring practices, could lead to a reduction of local employment, something which could make the labor market unstable, and result in negative effects on long-term regional economic development. Further, owing to the perceived low job loyalty of highly educated employees, entrepreneurs employ mostly low educated employees, pointing to a low labor demand for highly educated employees in the tourism sector of Ubon Ratchathani. Based on our survey, more than 6,200 bachelor degree students finish their tourism related studies annually in Thailand, of which approximately 120 students<sup>50</sup> complete their studies in Ubon Ratchathani, meaning local tourism entrepreneurs should have no difficulty in filling tourism job vacancies. To some extent, this could lead to a malfunction of the regional labor market.

#### 6.1.1.3 Knowledge

Within the TSBS model, knowledge is in functional terms related to the production process and is classified into two types: embodied knowledge and disembodied knowledge. While embodied knowledge is in possession of the workforce (e.g. skills), disembodied knowledge is encapsulated within capital goods (e.g. technologies). In general, knowledge is related to a firms' capability to develop new products/processes and to remain competitive. Successful firms contribute to regional economic development and in the end an increase in local citizens' quality of life. Our emphasis in this study is on assessing the degree to which in the tourism sector of Ubon Ratchathani, knowledge is available, developed, and created. The operationalization of knowledge concerns: 1) the quality of the tourism labor force, 2) the level of knowledge and skill development, and 3) the attention to knowledge creation by tourism entrepreneurs.

Table 6.3 provides data showing that a majority of tourism employees in Ubon Ratchathani have education levels lower than a bachelor degree, implying a low quality tourism labor force. However, the tourism sector is labor-intensive, incorporating both high and low educated employees and tourism as such, in general, is served by constant upgrading of knowledge. Its service quality could be improved by developing human resources through on-going training in terms of either professional skills or further study. Nonetheless, we find only on-the-job-training programs in the tourism sector of Ubon Ratchathani. In the interviews with local tourism entrepreneurs, they express that service quality served by high quality employees is essential to fulfill today's tourist satisfactions, but they are unwilling to develop the knowledge and skills of their employees. As a reason they give that low educated employees are incapable of being developed, whereas the highly educated ones are capable, but show a low job loyalty. Thus, the entrepreneurs operate their business at a minimum level of economic activity, focusing only on the most rudimentary parts of the business (clean rooms, basic amenities) rather than developing value added services that could help them break out of a price competition mode.

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<sup>50</sup> Data from the Registration Offices of Ubon Ratchathani University and Ubon Ratchathani Rajbhat University 2010

**Table 6.3 The contribution of tourism sector in Ubon Ratchathani in terms of knowledge**

Indicators	Evaluation**		Data required	Research result summary		
	Accom.	Tour		Accom.	Tour	Unit
3. Knowledge			3.1.1 Educational level of tourism labor (unit: number of employees)	1,586 (100%)	207 (100%)	pers.
3.1 The quality of the tourism labor force	Very low	Low	- Number of employees qualified for tourism, at least BA. degree	18 (1.1%)	31 (15.0%)	pers.
			- Number of highly educated workers, at least BA. degree	72 (4.5%)	15 (7.2%)	pers.
			- Number of workers who educate lower than BA. degree	1,496 (94.3%)	161 (77.7%)	pers.
			- Missing data	3	1	firm
3.2 The level of knowledge and skill development	Low	Very low	3.2.1 Number of tourism firms promoting further study for employees	7 (11.7%)	0 (0.0%)	firm
		Mod.	3.2.2 Number of tourism firms providing training opportunities			
	Low		- Internal training (on the job training)	44 (77.2%)	6 (31.6%)	firm
			- External training	2 (3.5%)	3 (15.8%)	firm
			- Training unavailable	11 (19.3%)	10 (52.7%)	firm
			- Missing data	3	4	firm
3.3 The attention to knowledge creation by tourism entrepreneurs	Very low	Very low	3.3.1 Number of tourism firms investing in developing new products	3 (5.0%)	0 (0.0%)	firm
	Very low	Very low	3.3.2 The level of knowledge transfer between firms and knowledge institutions*			-
			- Number of tourism firms cooperating with knowledge institutions via jointing research projects	2 (3.3%)	0 (0.0%)	firm
			- Number of tourism firms cooperating with knowledge institutions via jointing training projects	6 (10%)	3 (13%)	firm
			- Have no contact with knowledge institutions	52 (86.7%)	20 (87%)	firm

**Source:** this research

**Remark:** 1. The level of knowledge transfer between firms and knowledge institutes\* = the result of interviews and a survey  
 2. Evaluation \*\* = see Appendix 4 (Table 1, 2) and the assessment is based on the information collected in 2010.  
 3. pers. = person

One of the tourism informants<sup>51</sup> indicates that the small efforts in human resource development that exist barely increase the firms' capability to improve their quality to cope with changes from external environments and market demands. Local tourism entrepreneurs are likely to be more concerned with short-term losses due to staff turnover than with medium-to long-term payback from the investment in embodied knowledge and development. The low level of knowledge and skill development in the tourism sector weakens the quality of regional tourism and hence decreases the sustainability of the regional economic development.

Additionally, most tourism entrepreneurs interviewed make little use of knowledge stocks<sup>52</sup> (knowledge institutions, training projects, and research projects) to develop their product quality. Entrepreneurs have desire to create knowledge to improve their capability but they say that they are too busy to do that, as seen from the very low cooperation with knowledge institutions (Table 6.3). The absence of knowledge transferred from knowledge institutions, together with the low trust and risk-avoiding attitude of the entrepreneurs, make it less possible to increase their capability to develop innovative products and new markets. We find very few firms creating knowledge by working together with knowledge institutions to arrange tailor-made training programs for their employees, such as during low season periods, to improve their core competencies. These exceptional firms are medium-sized and run by a young, highly-educated generation or outsourced, professional managers hired by some local entrepreneurs. They try to develop new target markets such as MICE markets, with the establishment of specific MICE oriented conference centers, and the upgrading of service quality to fit the Free Independent Travelers (FIT) target traveling by personal vehicles.

#### 6.1.1.4 Economic structure

According to the TSBS, the power of the region is shaped by the strength of the regional economic structure. A resilient regional production structure is related to a sufficient regional variety of firms. In this sense, the more the economic structure consists of a larger variety of firms, the better, because the more resilient, the economy is. This is because the composition of firms functioning in the region can both boost economic growth because of a reduction of transactions costs, and enable the region to deal with economic fluctuations. Thus, the TSBS promotes a dynamic economic structure, and, among others, measures this in terms of the number of start-up firms. When adapting this stock to the context of Ubon Ratchathani, indicators are translated in terms of 1) the Gross Provincial Products (GPP per capita), 2) the contribution of tourism to the GPP in Ubon Ratchathani, 3) the number of tourism start-up firms, 4) the number of visitors, and 5) the visitor's expenditure.

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<sup>51</sup> Head of Tourism and Sport Office, Ubon Ratchathani, interviewed 3 August, 2010.

<sup>52</sup> This study has restricted knowledge resources to that knowledge that is dealt with in the development of tourism in Ubon Ratchathani and only that knowledge that is generated and created by educational institutions.

**Table 6.4 The contribution of the tourism sector in Ubon Ratchathani in terms of economics structure**

Indicators	Evaluation**	Data required	Research result summary
4. Economic structure			
4.1 GPP per capita*	Low	GPP Ubon Ratchathani = 72,279 mil. Baht	39,089 (- 9%)
		GPP Khon Kaen = 139,706 mil. Baht	74,487 (+73%)
		GPP Korat (Nakhon Ratchasima) = 158,677 mil. Baht	56,872 (+32%)
		GPP Udon Thani = 74,911 mil. Baht	46,517 (+ 8%)
		The Northeast as a whole = 973,293 mil. Baht	42,968 (GPP base)
4.2 The contribution of tourism to the GPP in Ubon Ratchathani	Low	Hotel and restaurant (represented as the tourism sector)	1.2% of GPP
		Wholesale and retail sector	27.1% of GPP
		Agricultural sector	13.0% of GPP
		Educational sector	13.5% of GPP
		Manufacturing sector	13.4% of GPP
		Health care service sector	4.7% of GPP
		Financial sector	4.3% of GPP
		Transportation sector	4.4% of GPP
		Construction sector	3.2% of GPP

**Source:** Indicator 4.1 from NESDB, and indicator 4.2 from Ubon Ratchathani Statistics Office (2008 year-based data)

**Remark:** 1. GPP per capita\*: GPP of Ubon Ratchathani is 9% lower than that of the Northeast. GPP of Khon Kaen is 73% higher than that of the Northeast

2. Evaluation \*\* = see Appendix 4 (Table 1, 2) and the assessment is based on the information collected in 2010.

As shown in Table 6.4, the Gross Provincial Product (GPP) per capita of Ubon Ratchathani (39,000 baht) is lower than those of the Northeast on average and, of other provinces<sup>53</sup> in the same region. The GPP is approximately 72 million baht, of which the tourism sector's contribution is small (1.2%)<sup>54</sup>, compared to other economic sectors. In spite of this, because of its interconnectedness with other sectors, the tourism sector could generate economic value through the stimulation of money circulation in the regional economy. But, we see little cooperation with other sectors. When we tried to look into the dynamics of the tourism sector itself, we found a certain kind of dynamic in terms of a high level of short-term firms and high firm turnover (Table 6.5). This is more an indication of an unsustainable development of tourism than of the sectors' level of resilience which can be

<sup>53</sup> Khon Kaen, Korat, and Udon Thani are comparable to Ubon Ratchathani in terms of being perceived as the economic centre of the Northeast of Thailand.

<sup>54</sup> Ubon Ratchathani Statistics Office, 2010



**Table 6.5 The contribution of the tourism sector of Ubon Ratchatani in terms of economic structure**

Indicators	Evaluation**		Data required	Research result summary		
	Accom.	Tour		Accom.	Tour	Total
4. Economic structure						
4.3 The number of tourism start-up firms	High	High	4.3.1 Number of tourism start-up firms (unit: firms)			
			- Number of tourism firms from the list of TAT (unit: firms)	70	35	105
			- Number of tourism firms closed down (unit: firms)	2	10	-12
			- Number of tourism firms opened up (unit: firms)	7 (6.5%)	7 (6.5%)	+14 (13%)
			Total (unit: firms)	75 (70%)	32 (30%)	107 (100%)

**Source:** This research and TAT-Ubon Ratchathani Office (the number of tourism firms from TAT list excluded state-owned enterprises).

**Remark:** Evaluation \*\* = see Appendix 4 (Table 1, 2) and the assessment is based on the information collected in 2010.

measured from the nature of diversity (the number of firms and their resilience). To illustrate this: according to the TAT list, constructed in 2009, there are 105 tourism firms in Ubon Ratchathani. However, during the period we conducted this research (in 2010), we could not establish the location of 12 of these. At the same time, we discovered 14 tourism firms which did not appear on the TAT list. This implies that not only is the database in the government sector outdated but that there is also a high level of turnover in the sector.

In addition, as shown in Table 6.6, Ubon Ratchathani has a very small number of visitors compared to Thailand as a whole. In 2008, TAT also reported<sup>55</sup> that most visitors coming to Ubon Ratchathani are domestic and indigenous, with low levels of purchasing power. Visitors' expenditures were less than half of the average tourist in Thailand. It could be concluded that, at the moment, the tourism sector in Ubon Ratchathani makes yet a very low contribution to the strength of regional economic structure.

#### 6.1.1.5 Spatial location conditions

According to the TSBS, spatial location conditions refer to the availability, the quality, and the accessibility to economic infrastructures and physical facilities that facilitate all economic activities. In other words, they measure the foundation upon which to build a strong regional economy; a transportation system, telecommunication systems, finance and transfer systems, a public administrative system, and others. These are elements that help the regional economy survive. As explained in Chapter 4, in evaluating the spatial location

<sup>55</sup> [http://www2.tat.or.th/stat/web/static\\_index.php](http://www2.tat.or.th/stat/web/static_index.php), retrieved 2 March, 2011

**Table 6.6 The contribution of the tourism sector to Ubon Ratchathani in terms of economic structure**

Indicators	Evaluation**	Data required	Research result summary		
			Ubon (*)	Thailand (*)	Diff.
4. Economic structure					
4.4 The number of visitors	Low	Number of visitors			
		- Domestic visitors (Unit: million)	1.44 (0.8)	83.23 (1.3)	1.6 times
		- International visitors (Unit: million)	0.065 (0.04)	14.46 (0.23)	6.4 times
		Total (Unit: million)	1.50 (0.83)	97.69 (1.55)	1.87 times
4.5 The visitor's expenditure	Low	Average expenditure per day of visitors (baht/person/day)	920	2,306	2 times
		Average expenditure of domestic visitors (baht/person/day)	906	1,767	3 times
		Average expenditure of international visitors (baht/person/day)	1,362	4,120	2.5 times

**Source:** TAT, 2007 based data

**Remark:** 1. (\*) = Proportion of number of visitors/number of residents

2. Evaluation \*\* = see Appendix 4 (Table 1, 2) and the assessment is based on the information collected in 2010.

conditions, in the case of tourism in Ubon Ratchathani, we narrow it down to the public transport infrastructure and the accommodation infrastructure, because this stock deals with a broad range of data related to landscape, space usage, and various kinds of infrastructure. We do not take waterways and harbors in this study because Ubon Ratchathani is a landlocked area.

As can be viewed in Table 6.7, Ubon Ratchathani has a good tourism infrastructure, seen from the availability of public transportation (the airport, the railway station, and the bus terminals) and accommodation facilities. Ubon Ratchathani is the easternmost destination in Thailand and there are two air transport routes connecting Ubon Ratchathani with Bangkok, and Phuket which are all main tourist destinations in Thailand. Additionally, there is one rail transport route between Bangkok and Ubon Ratchathani. Travel between Ubon Ratchathani and many other provinces depend on this route between Bangkok and Ubon Ratchathani (Figure 6.1). However, traveling by train for more destinations might be a possible obstacle because there are limited train connections between Ubon Ratchathani and other destinations. As for road transport, the connections are more flexible (Figure 6.2). Overall, except for land transport (buses), the availability of public transport is much less when compared to Thailand as a whole. As an indication of this (although this does not only

**Table 6.7 The contribution of the tourism sector in Ubon Ratchathani in terms of spatial location conditions**

Indicators	Evaluation**	Data required (Year-based data)	Ubon (%)	Thailand (%)	Diff.
1. The public transport infrastructure	Low	Number of air passengers (1)	381,162 (1.4%)	26,614,000 (100%)	-
	Low	Number of rail passengers (2)	749,050 (1.6%)	45,050,000 (100%)	-
	High	Number of fixed-route registered buses (3)	2,159 (0.1%)	81,894 (0.1%)	No diff.
2. The accommodation infrastructure	Low	Number of accommodation rooms (4)	3,461 (0.2%)	344,563 (2.5%)	<12.5 times

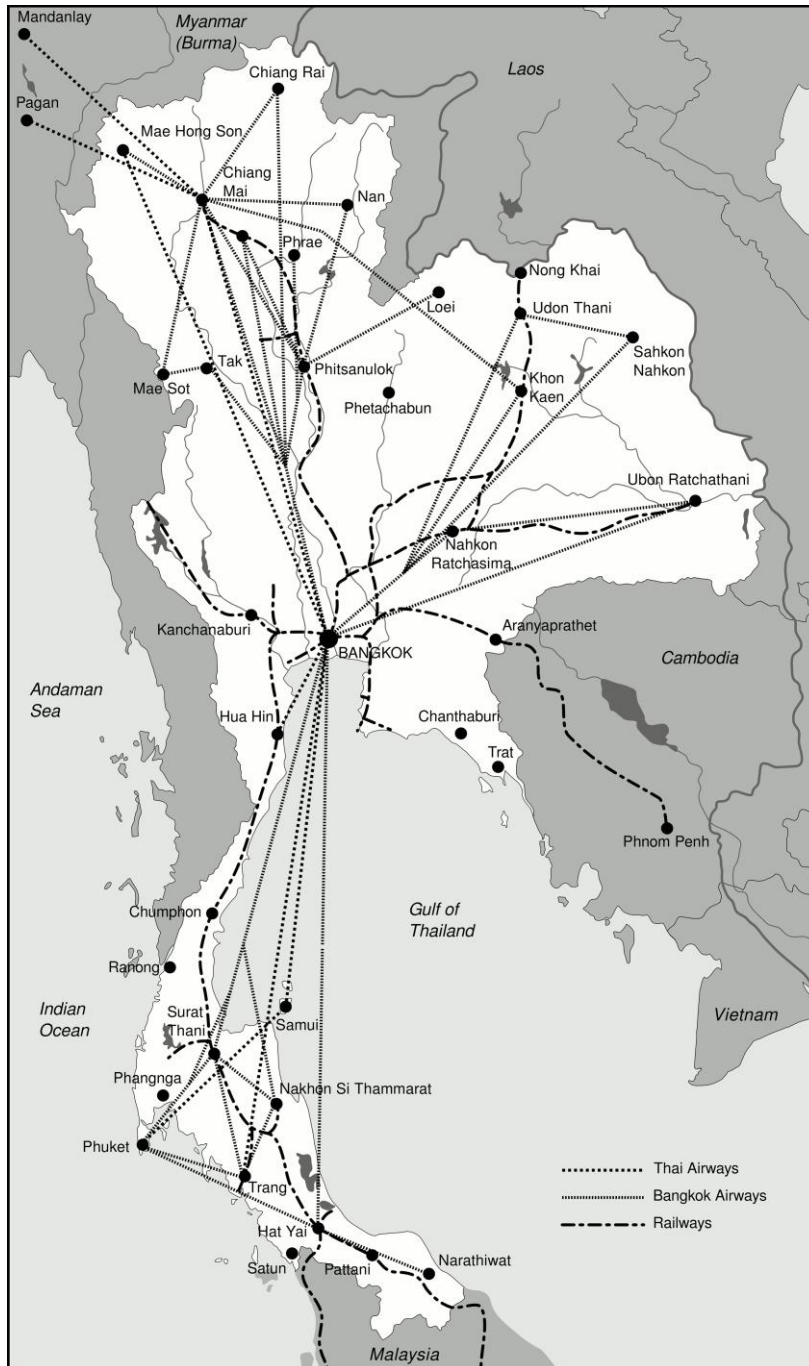
**Sources:** (1) and (2) are from <http://vigportal.mot.go.th/portal/site/PortalMOT/stat/indexURL/> Retrieved on March 2, 2012 (3) is from [http://www.news.mot.go.th/motc/portal/graph/index\\_transtat.html](http://www.news.mot.go.th/motc/portal/graph/index_transtat.html), retrieved on March 2, 2012), (4) is from e-TAT Tourism Journal, Vol. 1, 2012, pp. 17-24.

**Remark:** Evaluation\*\* = see Appendix 4 (Table 1, 2) and the assessment is based on the information collected in 2010.

depend on transport facilities): the number of air passengers has been reported to be only 1.4% of all air passengers (both domestic and international travelers) in Thailand. The same is true for an indication of the accommodation infrastructure where the number of accommodation rooms in Ubon Ratchathani is 12.5 times smaller than that in Thailand considered altogether.

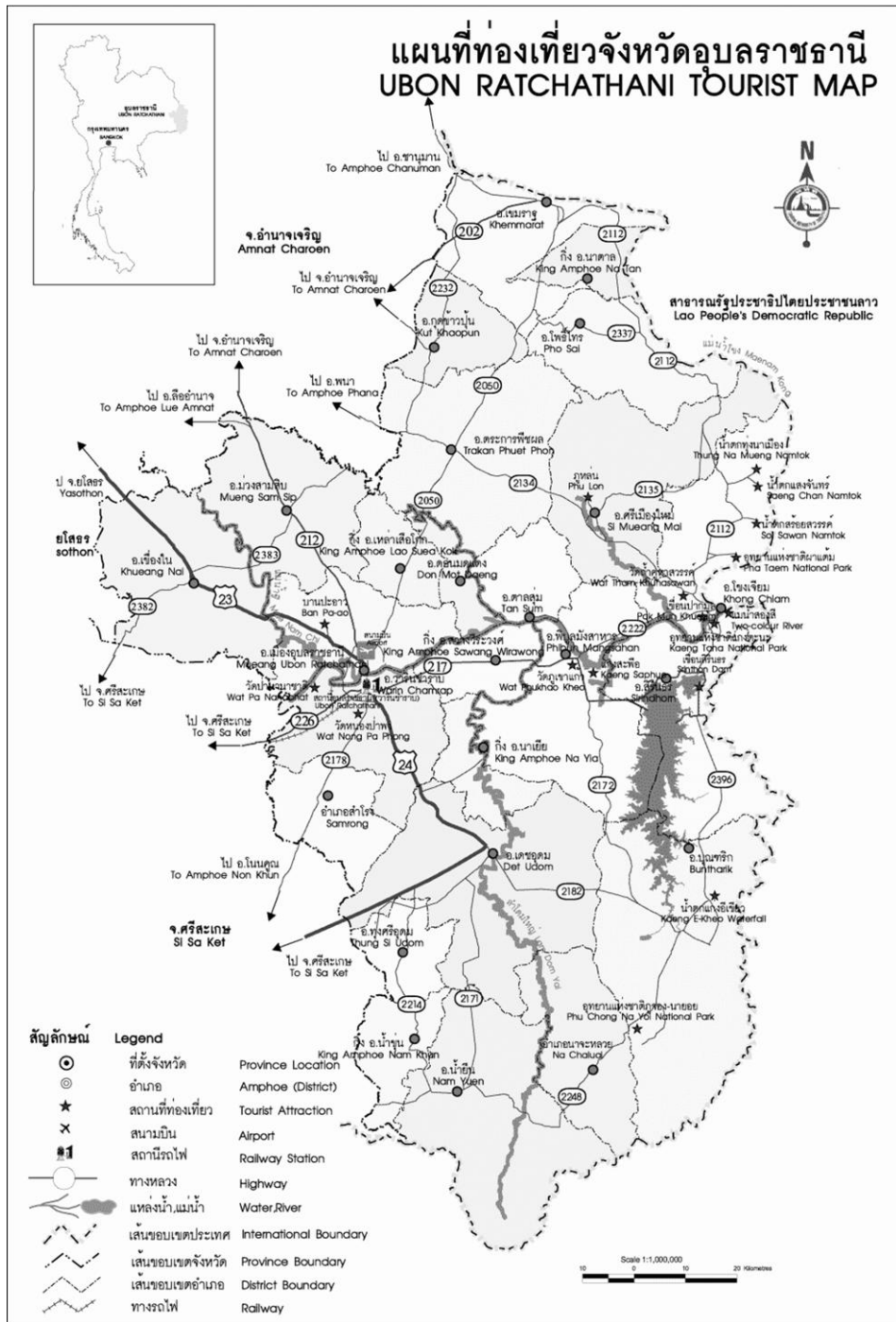
With regard to the specific attributes of the region, Ubon Ratchathani is one of very few Thailand provinces bordering and having permanent border passes to neighboring countries (Laos and Cambodia). During our research period, according to Chotthaworn (2012) and one of our informants<sup>56</sup>, Ubon Ratchathani and Laos initiated a cooperative regional economic development program in trans-border trading and tourism. Underlying this initiative, the boost to the Ubon Ratchathani economy is partly anticipated through the tourism sector, by attracting tourists to visit both Laos and Ubon Ratchathani. However, tourists tend to cross the border to spend time and money in Laos rather than in Ubon Ratchathani. This reflects the incapability of the Ubon Ratchathani tourism sector, accommodation firms in particular, to entice tourists to remain for a longer period of time in the province. Ubon Ratchathani is currently used as a gateway by both domestic and international tourists to cross the border to neighboring countries, giving a picture of an as yet unsuccessful regional economic development of tourism.

<sup>56</sup> The former president of Ubon Ratchathani Chamber of Commerce, interviewed 24 July 2010



**Figure 6.1 Thailand map (railway and airline)**

(adapted from: <http://www.guidethaillande.fr/voyager-en-thaillande/une-fois-sur-place/transport-thaillande/>, retrieved 14 April 2013)



**Figure 6.2 Ubon Ratchathani map** (Source: <http://www.folktravel.com/wp-content/uploads/2009/05/ubonratchathani-map.gif>, retrieved 19 April 2012)

### Conclusions on economic capital

In terms of the TSBS notion of economic capital, the tourism sector of Ubon Ratchathani delivers only a minor contribution to the regional development. This is mainly due to the low level of investment in the regional economy and the relatively low contribution to job creation related. In addition, most employment is restricted to low-educated young adults, leading to a major inequality of access to the tourism labor market for different groups. Moreover, the increase in labor employment from Laos and Cambodia is likely to continue because of lower labor costs. This might likely result in a worsening situation in the regional labor market, even though the unemployment rate in Ubon Ratchathani is low. What's more, the tourism sector shows a very low level of investment in knowledge. Knowledge in the service industry is significantly embedded in human resources. Service quality is truly a foundation of a firm's capability to compete, but the tourism sector seems to overlook this, by relying on low skilled labor, focusing on on-the-job training, and providing little support for employees to study further. Local tourism entrepreneurs attribute their lack of investment in their employees to two motives: the difficulty of training low educated employees and the low job loyalty of highly educated employees. Overall, they pay less attention to creating a stronger knowledge and innovation profile and cooperating with knowledge institutions while they focus on daily business concerns involving issues like cleanliness and basic amenities. In the absence of innovative products/services and a continuity of service improvement which might help keep customer loyalty to firms, the barrier to entry in the tourist industry is rather low because each firm provides little more than common services (e.g. clean rooms with air conditioning). Continuously, new tourism firms enter the market, while old ones die out. This nature of diversity (high turnover rate) gives us an indication as regards the unsustainable nature of the tourism sector in Ubon Ratchathani. A scarcity of knowledge development, together with the low cooperation in the tourism sector in Ubon Ratchathani will make it difficult to entice more visitors to spend more time and money in the province rather than neighboring countries. Without visitors no longer stopping to visit in the province, a leakage of regional income can be expected. All in all, from the TSBS's economic point of view, the economic efficiency/resilience of Ubon Ratchathani is low, a finding which confirms the perspective of Porter's Diamond model.

#### **6.1.2 Ecological capital**

Tourism strongly depends on ecological value; natural sites are often among the most differentiating attractions. An increasing number of visitors to these natural attractions consequently lead to the creation of economic value (Stynes, 1999; Kuvan & Akan, 2005; Lawton, 2005; Lepp, 2007; Sekhar, 2003; Walpole & Goodwin, 2001; Weaver & Lawton, 2001). However, paradoxically, the increasing popularity of natural sites and the related growth of tourism may also create pressures on the very environment on which tourism depends (see also Chapter 1). The greater the growth of tourism, the more the natural resources are at risk of degradation. Because of this, in order to reduce the negative effects

on a region's ecological capital, proper management of tourism is required. Part of the managerial tasks to make regional tourism more sustainable involves an assessment of how the tourism sector interacts with the ecological environment.

In terms of the TSBS perspective, the most important goal with regard to the ecological dimension concerns the resilience of the ecological system. This is referred to in terms of the capability of the ecological system to survive, adapt, and rebuild itself from disturbances such as pollutions, storms, and other impacts. The TSBS (2010) suggests assessing the quality of the ecological environment on the basis of 7 elements: (1) nature, (2) air, (3) surface water, (4) ground water, (5) minerals, (6) the landscape, and (7) the soil (see also Chapter 3). We selected and adapted some of these stocks and indicators to adjust them to the particular context of the tourism sector in Ubon Ratchathani, resulting in the following stocks: (1) nature and biodiversity, (2) air quality and noise, (3) quality of water, (4) (non)-renewable material and energy, and (5) quality of landscape. For the methodological accountability, see Chapter 4.

#### 6.1.2.1 Nature and biodiversity

According to the TSBS, to keep nature and biodiversity in a state so as to allow the next generation to experience the same natural values as the present generation, it is necessary to increase or maintain levels of biodiversity. We have operationalized indicators to assess to what extent the tourism sector in Ubon Ratchathani contributes to the quality of the natural environment in terms of 1) the level of investment by tourism firms in nature development, 2) the participation of tourism firms in nature conservation or preservation groups, and 3) the stewardship of nature in Ubon Ratchathani by tourism entrepreneurs.

As shown in Table 6.8, data indicate a very low contribution of the tourism sector to the improvement of the quality of nature. Most of local tourism entrepreneurs do invest in the natural development a little and in a very limited way. So, for instance, they plant trees to increase the amount of green space and prohibit customers and employees from killing animals on their own grounds. Only half of tour operators educate employees about nature conservation, and that tends to be very superficial, restricting itself to, for instance, precaution against causing physical damage to nature and stealing forest matter. Tour guides play a key role in influencing customers to help preserve nature through storytelling on the way (on the coach) to the destination. Interestingly, based on the in-depth interviews with local tourism entrepreneurs, to make the natural preservation more effective, they (and the tour guides) often tell stories about the legends or the beliefs that whoever takes objects from the destinations would face personal losses. In some cases, a direct warning based on the environment protection law is given to restrain customers from either smuggling forest matter or destroying the natural environment. However, they report that they cannot do that much because it is their perception that customers like to be entertained rather than being told about nature conservation. There is a tendency to pay more attention to daily-based

business practices than to adding value to nature, providing some finance to preserve nature, educating customers, employees, and local communities about natural conservation, or participating in nature conservation or preservation groups. We found only a few firms that allowed some of their employees to join government sector plant growing activities on specific occasions (i.e. the birthdays of His Majesty the King or Her Majesty the Queen). Besides, there appear to be only two medium-sized hotels participating in the Green Leaf Foundation (GLF)<sup>57</sup> that helps tourism firms deal with efficient environmental management. It is quite surprising that almost none of the local tourism entrepreneurs is familiar with or interested in taking part in the GLF.

The investigated tourism firms demonstrate some environmentally conscious conduct with regard to nature, however these actions are primarily based on motivations of cost saving, legal requirements, and customer satisfaction rather than on environmental values as such. For example, most accommodation providers renew, polish, and color their old wooden furniture instead of buying new based on a cost saving motive. They also avoid decorating guestrooms with materials made from wildlife or rare plants and by law ban the sale of products made from endangered species. More than half of the tour operators surveyed do not help tourists to get wildlife or rare plants as souvenirs but, based on the qualitative interviews, in order to satisfy their customers, some have in fact helped them smuggle forest matter back home (Iv 4, 6, and 7). This indicates not only a weak local observance of the law, but also a tendency among local tourism entrepreneurs' to focus on short-term benefits at the expense of the long term value of nature.

We had difficulty in finding data regarding the impact of tourism on the quality of nature and biodiversity at the regional level. The data we could gather gave us a picture of local tourism entrepreneurs unlikely to understand how to develop the natural environment. They practice a very narrow environmental development perspective, based on short-term goals and routine practices, without understanding how the resilience of the ecosystem more generally affects their livelihoods in the long term.

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<sup>57</sup> The Green Leaf Foundation: GLF is an independent organization, cooperatively organized by a private-public partnership that helps the tourism sector seriously contribute to the environment. The GLF introduces checklists for hotels in environmental management and an audit team from the GLF will measure the hotel's environmental management efficiency in relation to a standard reference score before awarding the hotel with Green Leaf Certificate ranging from 1 to 5 leaves, 5 denoting the most efficient environmental management practices. Although the GLF's instigation of the development of environmental quality for hotels does not directly engage in natural and biodiversity development, the checklist involves the waste recycling system, energy and water saving campaigns, and beach clean-ups that help raise awareness and save natural resources of entrepreneurs (for more information, see [www.greenleafthai.org](http://www.greenleafthai.org)). We have to take into account that firms desiring to have the GLF accreditation must pay for the GLF certification.



**Table 6.8 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubol Ratchathani to quality of nature and biodiversity**

Indicators	Evaluation**	Data required		Research result summary			
		Accom. Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation	Tour operator	
1. Nature and biodiversity							
1.1 The level of investment by tourism firms in nature development	Very low - low	Low	1. Provide introductory courses about environmental development or conservation of nature and biodiversity to employees	1. Provide introductory courses about environmental development or conservation of nature and biodiversity to employees	Yes (%)	No (%)	Yes (%)
			2. Add values to nature such as creating habitats for animals (e.g. nests in trees for birds) or building nurseries to protect rare plants and animals	-	4 (6.9)	54 (93.1)	13 (56.5)
			3. Give surrounding local communities and guests information about the importance of nature and biodiversity as well as the way to preserve them	2. Have chances to distribute information to customers related to preservation of nature and biodiversity	12 (20.3)	47 (79.7)	-
1.2 The participation of tourism firms in nature conservation or preservation groups	Very low - low	Very low	4. Make a donation based on rooms sold in order to preserve nature and biodiversity	3. Donate from each excursion sold in order to preserve nature and biodiversity	0 (0.0)	59 (100.0)	12 (52.2)
			5. Participate in or be a member of an organizations related to preservation of nature and biodiversity such as Green Leaf	4. Participate in or be a member of an organizations related to preservation of nature and biodiversity such as Green Leaf	0 (0.0)	59 (100.0)	0 (0.0)
			6. Have activities to promote the co-operation with nature conservation programs at different occasions within the community	-	2 (3.4)	56 (96.6)	0 (0.0)
2. Accommodation							
2.1 The level of investment by accommodation firms in nature development	Very low - low	Low	1. Provide introductory courses about environmental development or conservation of nature and biodiversity to employees	1. Provide introductory courses about environmental development or conservation of nature and biodiversity to employees	Yes (%)	No (%)	Yes (%)
			2. Add values to nature such as creating habitats for animals (e.g. nests in trees for birds) or building nurseries to protect rare plants and animals	-	4 (6.9)	54 (93.1)	13 (56.5)
			3. Give surrounding local communities and guests information about the importance of nature and biodiversity as well as the way to preserve them	2. Have chances to distribute information to customers related to preservation of nature and biodiversity	12 (20.3)	47 (79.7)	-
2.2 The participation of accommodation firms in nature conservation or preservation groups	Very low - low	Very low	4. Make a donation based on rooms sold in order to preserve nature and biodiversity	3. Donate from each excursion sold in order to preserve nature and biodiversity	0 (0.0)	59 (100.0)	12 (52.2)
			5. Participate in or be a member of an organizations related to preservation of nature and biodiversity such as Green Leaf	4. Participate in or be a member of an organizations related to preservation of nature and biodiversity such as Green Leaf	0 (0.0)	59 (100.0)	0 (0.0)
			6. Have activities to promote the co-operation with nature conservation programs at different occasions within the community	-	2 (3.4)	56 (96.6)	0 (0.0)

Table 6.8 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubon Ratchathani to quality of nature and biodiversity (continued)

Indicators	Evaluation**		Data required		Research result summary			
	Accom.	Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation		Tour operator	
					Yes (%)	No (%)	Yes (%)	No (%)
1. Nature and biodiversity								
1.2 The participation of tourism firms in nature conservation or preservation groups			7. Work with nonprofit organizations to raise funds and generate awareness of nature and biodiversity protection and restoration	-	0 (0.0)	60 (100.0)	-	-
1.3 The stewardships of nature in Ubon Ratchathani by tourism entrepreneurs	High - mode-rate	Mode rate	8. Decorate rooms from materials made from wildlife or rare plants	-	17 (28.8)	42 (71.2)		
			9. Ban the sale of products made from endangered species to customers on the hotel's premises (e.g. wildlife killed/flora and fauna killed to be made into souvenirs)	5. To provide customer satisfaction, firms help customers to get wildlife or rare plants as souvenirs if they request	41 (68.3)	19 (31.7)	8 (36.4)	14 (63.6)
The interview result indicates the passive good stewardship of nature as entrepreneurs are motivated by cost saving, legal requirements, and customer satisfaction rather than an understanding of the basics of how to develop the natural environment								

**Remark:** Evaluation \*\* = see Appendix 4 (Table 3, 4) and the assessment is based on the information collected in 2010.

### 6.1.2.2 Air quality and noise

In this study, we assessed to what extent the tourism sector in Ubon Ratchathani contributes to the improvement of air and noise pollution. Indicators of the TSBS are operationalized in terms of: 1) the availability of environmentally friendly products or processes, 2) the emission of greenhouse gases, and 3) the level of noise pollution protection (see Chapter 4).

Table 6.9 shows that the tourism sector of Ubon Ratchathani contributes to the improvement of air quality and noise at a very low level. Few of the tourism firms investigated support environment-friendly forms of products/service activities and they continue to use artificial substances (pesticides, fertilizers, and deodorants). They are unlikely to think about the effects their practices have on air quality. In the interviews, the local tourism entrepreneurs show themselves mostly motivated by cost saving strategies when performing environment friendly activities. To provide some of the examples given: over half of the tour operators specifically choose vehicles using bio-fuel because of the low prices subsidized by the government, and most accommodation providers use organic fertilizers (e.g. manure, leaves, and effective microorganism) or bio-extracted pesticides in gardening, and natural products (Thai herbs) to deodorize, because of the decreased costs. One entrepreneur expressed that it is difficult to balance strategies between customer satisfaction, environmental concerns, and cost savings.

"We have to pay the price because there are many mosquitoes bothering guests, so the use of chemicals is unavoidable. We want customers to close the screen doors to prevent mosquitoes coming into the rooms but guests leave the doors open. When the mosquitoes bite them, they complain a lot. It is difficult to find a balance between satisfying the guest, caring for the environment, and minimizing cost." (Iv. 24)

As mentioned, local tourism entrepreneurs hardly think about the big picture and the negative effects of climate change that can result from their routine everyday practices, such as the use of aerosol spray cans (or products using CFCs<sup>58</sup>) to improve the quality of air in guestrooms/on coaches. They argue that customers smoking in prohibited areas require them to use aerosol sprays. Besides, the tourism sector has a tendency to overlook protection against noise pollution, such as in the case of the volume of musical devices and the noise of vehicle engines. The prevention of noise pollution is managed unsystematically and only by warning customers to reduce their volume if other customers complain about it. In the interviews with hoteliers, it was expressed that some use sugarcane-particle boards to complement rooms' walls and to absorb some noise. There is little interest in dealing with noise nuisance at a more strategic level.

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<sup>58</sup> Chlorofluorocarbons

The above data would seem to indicate that local tourism entrepreneurs seem to have no active awareness of the consequences of their actions with regard to the quality of air and noise, at least not at the level of their everyday business practices.

#### 6.1.2.3 Water

Water is an important part of sustainable tourism when one considers cases of water pollution through discharges of sewage and spillages of petrol, depletion of ground and surface water supplies, use of water and/or diversion of water from local community resources for baths/showers and swimming pools, and to irrigate golf courses (Swarbrooke, 1999). According to the TSBS, the management of water resources should take place in such a way that it is clean and sufficient for humans and wildlife. As indicators to assess this on the level of the Ubon Ratchathani tourism sector, we have chosen: 1) the existence of water saving strategies, 2) the provision of education on water saving for tourists, and 3) water pollution management (see also Chapter 4 for the indicator selection information).

Table 6.10 provides data that indicate that the contribution of the tourism sector in Ubon Ratchathani to the water quality and resilience of the water systems is low-moderate. Most tourism firms studied have saved water by using water saving devices (water-efficient showerheads/taps/toilets, aerators, and others), and reusing water for other purposes (e.g. to water their gardens). Only very few firms recycle water into swimming pools. However, local tourism entrepreneurs express that because of the high price of water saving devices, they find it difficult to make full use of them. Moreover, they express their dilemma of on the one hand saving water and on the other the necessity to use a great deal of water to maintain the expected level of cleanliness:

“It is expensive to change all of the water devices to water saving devices. It would take a long time to reach the break-even point if the water saving devices were fully used in our firm.” (Iv. 23)

"We want to save water but the hotel business cannot save water at all because customers immediately look for cleanliness." (Iv. 13)

It is also interesting to find that though accommodation providers pay much attention to saving water through the use of water saving devices as well as recycling it for other uses, most are unlikely to have auditing systems to ensure that water efficient apparatus and products remain in place and functioning. They rarely perform systematic examinations to find water leaks. Rather, they look for water leakage from either a high water bill or the inconsistent rhythm of a pump.

Table 6.9 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubon Ratchathani to air quality and noise

Indicators	Evaluation**	Data required		Research results summary			
		Accom. Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation	Tour operator	
2. Air and noise quality					Yes (%)	No (%)	Yes (%) No (%)
2.1 The availability of environment ally friendly products/ processes	Low	Low	1. Use of bio-fuel (e.g. gasohol) vehicles	1. Specifically choose vehicles (buses or coaches) filled with bio-fuels such as gasohol	0 (0.0)	58 (100.0)	15 (65.2) 8 (34.8)
			2. Support environmentally friendly forms of service activities such as arrangement of bicycles for guests	2. Include cycling activity for customers in the tour programs	0 (0.0)	58 (100.0)	0 (0.0) 23 (100.0)
			3 Use of chemical substances to keep insects/ mosquitoes/mice/ cockroaches/ flies away from hotels/ establishments	3 Use of chemical substances such as insect/ mosquito repellent to keep insects/ mosquitoes away from customers	44 (73.3)	16 (26.7)	14 (63.6) 8 (36.4)
			4 Use of organic fertilizers or bio-extracted pesticide in gardening	-	53 (89.8)	6 (10.2)	- -
			5 Use of eco-friendly cleaning chemicals (e.g. natural extracted substances) in restaurant and laundry section	-	17 (28.8)	42 (71.2)	- -
			6. Provide guest room with soaps, shampoos, and conditioners that use natural ingredients and come from environmentally responsible companies	-	20 (33.3)	40 (66.7)	- -

Table 6.9 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubon Ratchathani to air quality and noise (continued)

Indicators	Evaluation**	Data required			Research results summary			
		Accom.	Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation	Tour operator	
2. Air and noise quality						Yes (%)	No (%)	Yes (%) No (%)
2.2 The emission of greenhouse gases	Very low	Very low		7. Use of aerosol spray (or solutions consisting of CFC) to improve the quality of air in guest rooms	4. Use of aerosol sprays to improve the quality of air in buses/coaches	48 (80.0)	12 (20.0)	22 (95.7) 1 (4.3)
				8. Use of naturally extracted scents in public areas or guest rooms	-	28 (47.5)	31 (52.5)	-
	Very low	Low		9. Modify part of the building to reduce or prevent noise caused by various activities from leaking outside	5. Support forms of entertainment activities to satisfy customer such as karaoke singing with unlimited volume	4 (7.1)	52 (92.9)	17 (73.9) 6 (26.1)
2.3 The level of noise pollution protection				-	6. Regularly check vehicles (that might release loud noise)	-	-	18 (90.0) 2 (10.0)

**Remark:** Evaluation \*\* = see appendix 4 (Table 3, 4) and the assessment is based on the information collected in 2010.

Table 6.10 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubon Ratchathani to water

Indicators	Evaluation**	Data required		Tour operator behaviour	Research results summary			
		Accom.	Tour	Accommodation provider behavior	Accommodation		Tour operator	
					Yes (%)	No (%)	Yes (%)	No (%)
3. Water								
3.1 The existence of water saving strategies	Mode-rate	Low		1. Use water saving devices (water-efficient shower heads, taps, aerators, etc.)	51 (85.0)	9 (15.0)	14 (66.7)	7 (33.3)
				2. Use water-efficient toilets (3-litre water flushing)	44 (73.3)	16 (26.7)	-	-
				3. Clean vehicles using water from a hose (rather than from a bucket)	42 (73.7)	15 (26.3)	22 (100.0)	0 (0.0)
				4. Reuse water for other purposes (e.g. planting or gardening)	33 (55.9)	26 (44.1)	-	-
				5. Have auditing system on water efficient products to ensure water efficient apparatus and products remain in place and functioning	0 (0.0)	58 (100.0)	-	-
3.2 The provision of education on water saving for tourists	Mode-rate	Very low		6. Provide information on saving water to customers (e.g. stickers warning of water saving on washbasins or elsewhere, towel reuse encouragement with eco-benefit explanation, etc.)	30 (50.8)	29 (49.2)	0 (0.0)	23 (100.0)
				3. Provide information on saving water to customers				

Table 6.10 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubon Ratchathani to water (continued)

Indicators	Evaluation**	Data required		Research results summary					
		Accom.	Tour	Accommodation provider behavior	Tour operator behaviour	Accommodation		Tour operator	
3. Water						Yes (%)	No (%)	Yes (%)	No (%)
3.3 Water pollution management	Mode-rate	High		7. Have inspection for wastewater leakage from the hotel's wastewater drainage to prevent contamination of other water sources	4. Provide garbage bags to customers to protect throwing waste into the water	37 (61.7)	23 (38.3)	22 (95.7)	1 (4.3)
The result of interviews reveals that the tourism sector is passively manage water pollution as all of them only practice conforming to the environment law.									

**Remark:** Evaluation \*\* = see Appendix 4 (Table 3, 4) and the assessment is based on the information collected in 2010.



Another way to help improve the quality of water is to educate customers on “saving water.” However, we see a rather low level of involvement of the tourism sector in this. Tour operators have no programs in place. They argue that providing information on water saving tends to offend their customers, and customers’ water saving practices are beyond their control (Iv. 4 and 7). In contrast, half of accommodation providers do little by way of giving customers information on the eco-benefits of water saving through stickers or leaflets in both guestrooms and toilets, while almost half have no motivation to do so because they feel that customers do not take saving water into account and at the same time they do not want to offend them (Iv. 24 and 21):

“We experienced that [Thai] customers have used towels to clean their cars and used water to clean their cars too...We used to inform them on how they could help save water/energy via stickers but they tore the stickers up.” (Iv. 15)

“It would be impolite to inform customers about it [saving water].” (Iv. 7)

Although the survey results confirm a moderate level of water pollution management in the tourism sector, the interviews reveal that local tourism entrepreneurs merely follow the environmental law, by having grease traps, a food scrap net and clarifier, before releasing wastewater into the public drainage. In addition, we see no firm initiating investments in any specific wastewater treatment system. In the tour operating sector, other than providing garbage bags to customers to attempt to eliminate throwing waste into the water, following the interviews, there seems to be nothing done about reducing water pollution.

As long as local tourism entrepreneurs gain direct economic benefits from practices regarding the quality of water, they are willing to manage water to be clean and save as much water as possible. One<sup>59</sup> of the key informants indicates that the small-to-medium sized family owned tourism sector in Ubon Ratchathani is too small to generate water pollution or deplete ground and surface water supplies.

#### 6.1.2.4 (Non)-renewable material and energy

Tourism is sometimes alleged to promote and result in superfluous consumption, accelerating overexploitation most notably of fossil fuels, and other materials resulting in unsustainable tourism. The sustainability agenda as expressed in the TSBS suggests that we reduce the extraction and use of non-renewable minerals, promote the re-use of raw materials, reduce energy usage, and promote the production and consumption of sustainable energy. In the case of Ubon Ratchathani, we measured how the tourism entrepreneurs take renewable materials and energy into account and we have operationalized the indicators as: 1) the level of reduction of (non)-renewable materials, 2) the level of energy saving, and 3) waste management.

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<sup>59</sup> Mr. Chaliew Leesanga, the director of the office of regional environment, region 12, Ubon Ratchathani, 5 August 2010.

As identified in Table 6.11, we find a low level of concern about the reduction of (non)-renewable materials among the tourism entrepreneurs interviewed in Ubon Ratchathani, even though over half of the tourism firms studied try to save costs through the reuse, reduction, and renewal of (non)-renewable materials. One explicit and every instance of material reduction concerns paper usage. Most tourism firms use double-sided printing. However, some entrepreneurs say that although they have a desire to reduce paper usage by setting up online operations, they cannot do so because their employees are not capable of dealing with an online operating system. Simultaneously, they expressed a need to verify that payment and invoice amounts match from accounting papers, therefore the reduction of paper is almost impossible (Iv. 25 and 26).

Overall, the impression is that reducing the use of materials (e.g. using washable hand towels, refilling shampoo, soap, conditioner bottles, using recycled paper, washable glasses, etc.) works best when this coincides with a reduction of costs. Besides, entrepreneurs think their customers will not be up to it:

“We used to refill shampoo and soap bottles but customers dropped them in toilets, so that caused the toilets to clog up. Now we don’t refill bottles anymore.” (Iv. 15)

“Our customers prefer to drink from sealed plastic bottles because they want to make sure that what they eat and drink is hygienic enough, so we have to take care of this.” (Iv. 9)

“We cannot use recycled paper in the toilet because customers are wondering whether that recycled toilet paper is clean enough.” (Iv. 20)

Next, we find different results with regard to energy saving strategies in the tourism sector (Table 6.11). Whereas the accommodation firms do save energy, tour operators generally do not. The majority of tour operators do not have an action plan for energy saving, do not switch off the air conditioning on the coaches when stopping at each destination, and do not specifically choose hotels conforming to a “green” program. They explain this in terms of their dilemma of balancing energy saving plans with customer satisfactions:

“We cannot save energy at all. Look at our guests, particularly high ranking officials, as an example. They prefer to play cards on the coach. It is like they change the place to play cards. When we arrive at Kon Pa Peng, I tell them that we have arrived. You know, they only look at the waterfall through the window and continuing playing cards without getting out of the coach then we have to maintain the air conditioning. These customers value the luxury hotel making a green hotel less attractive.” (Iv. 4)

Table 6.11 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubol Ratchathani to (non-)renewable materials and energy

Indicators	Evaluation**	Data required		Research result summary			
		Accom. behaviour	Tour provider	Tour operator behaviour	Accommodation	Tour operator	
4. (Non)-renewable materials and energy							
4.1 The level of reduction of (non)-renewable materials	Low	Relatively very low	1. Use double-sided printing in the office	1. Use double-sided printing in the office	Yes (%)	No (%)	No (%)
					41 (68.3)	19 (31.7)	20 (87.0)
			2. Use all hotel in-room materials and bills on recycled papers	2. Provide e-tour packages to customers rather than brochures	0 (0.0)	58 (100.0)	0 (0.0)
					(0.0)	(100.0)	(100.0)
			3. Establish an online system on home procedures (send administrative papers online, HR benefits document online, etc.)	3. Publish brochures or catalogues on chlorine-free paper	8 (13.6)	51 (86.4)	0 (0.0)
					(13.6)	(86.4)	(100.0)
			4. Publish brochures or catalogues on chlorine-free paper	4. Use reusable garbage bags on buses/coaches	0 (0.0)	58 (100.0)	8 (34.8)
					(0.0)	(100.0)	(65.2)
			5. Offer check out envelopes, phone books, and religious books by request only	5. Provide beverages on bus using glass bottles/glasses rather than plastic	35 (61.4)	22 (38.6)	0 (0.0)
					(61.4)	(38.6)	(100.0)
			6. Offer washable/reusable hand towels in public restrooms	6. Provide food boxes (on bus) that can be reused	31 (52.5)	28 (47.5)	4 (81.8)
					(52.5)	(47.5)	(18.2)
			7. Offer toilet paper made with 100% recycled content		0 (0.0)	58 (100.0)	
					(0.0)	(100.0)	
			8. Refill bottles for guest amenities (shampoo, conditioner, and soap)	-	27 (45.0)	33 (55.0)	-
					(45.0)	(55.0)	

Table 6.11 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubon Ratchathani to (non-)renewable materials and energy (continued)

Indicators	Evaluation**	Data required		Research result summary			
		Accom. Tour behaviour	Tour operator behaviour	Accommodation	Tour operator	Yes (%)	No (%)
4. (Non)-renewable materials and energy							
4.1 The level of reduction of (non)-renewable materials		9. Provide water from glass bottles (rather than plastic bottles)	-		34 (56.7)	26 (43.3)	-
		10. Provide reusable and washable laundry bags	-		12 (21.1)	45 (78.9)	-
4.2 The level of energy saving	Mode-rate	11. Have an action plan for energy saving and efficient usage	7. Have an action plan on energy saving and efficient usage	37 (62.7)	22 (37.3)	1 (4.5)	21 (95.5)
		12. Have a target and procedure to reduce fuel consumption	8. Set the temperature at 25 °C on air-conditioned buses	32 (53.3)	28 (46.7)	0 (0.0)	23 (100.0)
		13. Implement energy efficient fluorescent/ LED lights	9. Specifically choose hotels conforming to a “green” program	55 (91.7)	5 (8.3)	1 (4.3)	22 (95.7)
		14. Have a purchasing procedure focused on only seasonal products or food (in an effort to save energy in the storing, transporting, packaging, and manufacturing processes)	-	43 (72.9)	16 (27.1)	-	-
		15. Install a meter to measure volume and pressure of stored fuel and gas (in order to supervise and inspect for leakage and improved efficiency)	-	1 (1.7)	57 (98.3)	-	-

Table 6.11 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubon Ratchathani to (non-)renewable materials and energy (continued)

Indicators	Evaluation**		Data required		Research result summary			
	Accom.	Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation	Tour operator	Yes (%)	No (%)
4. (Non)-renewable materials and energy								
4.3 The waste management	Low	Low	16. Separate waste (paper, metal, glass, plastic, and hazardous)	10. Separate waste (paper, metal, glass, plastic, and hazardous)***	40 (66.7)	20 (33.3)	16 (69.6)	7 (30.4)
			17. Use reusable bags to collect separated waste	11. Collect all waste from customers on buses in one big bag	18 (30.5)	41 (69.5)	16 (69.6)	7 (30.4)
			18. Recycle boxes to be bins for employee at all work stations		30 (50.0)	30 (50.0)		
			19. Reduce waste at the source to prevent its increasing amount in all sections	*** Different results between interview result and survey methods	0 (0.0)	58 (100.0)	-	-

**Remark:** Evaluation\*\* = See Appendix 4 (Table 3, 4) and the assessment is based on the information collected in 2010

Table 6.12 Ecological capital: The results of empirical research on the contribution of the tourism sector in Ubon Ratchathani to quality of the landscape

Indicators	Evaluation**	Data required		Research result summary			
		Accom.	Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation	Tour operator
5. The quality of the landscape						Yes (%)	No (%)
5.1 The level of investment by tourism firms in landscape quality	High / Very low*	High / Very low*		1. Donate to support an upgrading of existing public infrastructures and facilities such as recreation parks, car parks, pavement, street furniture, waste management, electric grid, etc.*	1. Donate to support an upgrading of existing public infrastructures and facilities such as recreation parks, car parks, pavement, street furniture, waste management, electric grid, etc.*	43 (72.9)	16 (27.1)
				** The results of interview were different from the survey results**			
5.2 The cooperation level between tourism firms and the wider community to maintain landscape qualities				2. Co-operate with surrounding communities to maintain or develop a beautiful landscape*	2. Help communities around tourist sites to maintain a beautiful landscape*	40 (66.7)	20 (33.3)
				3. Support local communities to preserve their physical buildings and surroundings maintaining local culture*	3. Support local communities to preserve their physical buildings and surroundings maintaining local culture*	33 (61.1)	21 (38.9)
						17 (73.9)	4 (26.1)

**Remark:** Evaluation \*\* = see Appendix 4 (Table 3, 4) and the assessment is based on the information collected in 2010.

In contrast, most accommodation firms have executed an energy saving action plan. They purchase seasonal products in an effort to save energy used in storage, transport, and packaging, target reductions in fuel consumption, switch the electric lights on and off in a timely fashion, regulate the temperature of the air conditioning system, educate employees, reuse the heat from the air conditioning system to generate heat for warming water, and use energy efficient light bulbs and other energy saving devices. Though various energy saving activities are being used, they ignore installing a meter to measure the volume and pressure of stored fuel and gas in order to check for any leakage. They mention their desire to save energy but they face obstructions such as customer behavior and expensive energy saving/alternative energy devices (solar energy devices):

“Although the hotel tries to save energy, customers still don't care. They think that they must get as much service as possible because they have already paid for it.” (Iv. 28)

“The energy saving devices are very expensive, especially energy conserving air conditioners which are three times more expensive than the normal ones. If I use them, maybe it takes three years to reach the break- even point... We also want to install a solar power generator but it is too expensive at this moment.” (Iv. 25)

Waste management is another indicator taken up to be measured. While the results of the survey show that most of the tourism firms separate wastes, the results of qualitative interviews are indicating the opposite because all of the tourism entrepreneurs interviewed have no waste separation policy. Among the accommodation firms, it is left to each employee individually to separate and collect waste (i.e., newspapers, cans, bottles, and used cooking oil). Most do it out of an expectation of making money from selling the said waste. This implies that there is an unsystematic waste separation practice and no comprehensive waste management plan available; in general, firms do not use reusable bags to collect separated wastes and do not minimize the amount of wastes in all activities.

#### 6.1.2.5 Quality of the landscape

The quality of the landscape not only gives local residents a sense of a pride of place in terms of cultural and historical background, but it also may give some physical and mental relief from the urban visual experience. In addition, the quality of the landscape influences tourism because it is one of the important factors attracting tourists and allowing them to experience the authenticity of a destination. The landscape, understood broadly here, includes contemporary architectural styles of buildings, car parks, public parks, monuments and statues, litter, beautification. With regard to its significance, the TSBS emphasizes that the attractiveness and the identity of a landscape should be improved by means of a sufficient level of protection and preservation of official natural and cultural areas. In the case of Ubon Ratchathani, we have operationalized this in terms of indicators assessing how

the tourism sector contributes to the quality of the landscape. These include: 1) the level of investment by tourism firms in landscape quality and 2) the cooperation level between tourism firms and the wider community to maintain landscape qualities.

We find contrasting results from the different research methods. As shown in Table 6.12, the survey results demonstrate that most tourism firms invest in the quality of the landscape by donating in order to support the improvement of existing public infrastructure and facilities, and cooperating with or supporting local communities in maintaining the beauty of the landscape or preserving physical buildings to conform to local culture. However, the qualitative interview results indicated that in doing so, local tourism entrepreneurs tend to concentrate on their direct business operation, rather than initiate the improvement of landscape quality in general. They also are likely to perceive the improvement of landscape to first of all be the responsibility of the government. In addition, they say that they have no time to cooperate with local communities to actively preserve/maintain the identity of the local landscape. Regarding their donations to support and upgrade the quality of the landscape they have a tendency to sponsor some cultural events and pay for the cost of waste management and electricity. Besides, according to the qualitative interviews, and as opposed to the findings of the survey, they do not donate to the improvement of the quality of the regional landscape. These different results indicate that local tourism entrepreneurs have a general awareness of the importance of improving the quality of the landscape. That is to say, they see the importance of the landscape quality on which they also rely businesswise, but they are rather inactive in initiating the improvement of landscape quality. Paying taxes for waste management, paying the bill for the electricity, and sponsoring some local events are perceived as sufficient ways to help improve the quality of the landscape.

### Conclusions on ecological capital

In summary, the contribution of the tourism sector in Ubon Ratchathani to the maintenance of the ecological capital of the region, both biotic and abiotic, is marginal. As for biotic elements, tourism firms rarely invest in nature and hardly participate in nature preservation organizations. Even though some take part in natural conservation activities with local communities and the government, all these activities are initiated by the government sector. In addition, although accommodation providers tend to be more concerned about fair conduct towards nature (or good stewardship of nature) compared to tour operators, most of their conduct is initiated by cost saving motives and/or legal requirements. The same is true for the tour operating sector where some tour operators facilitate customers to smuggle forest matter as souvenirs in order to satisfy them. Regarding abiotic elements, the tourism sector hardly plays its role in the improvement of air quality and noise, water, waste management, and landscape quality, though they try to reduce renewable material and energy. However, all their practices are mostly based on a routine business orientation, carried along by two major motives: perceived cost savings and



customer satisfactions, rather than sustainability. For instance, to reduce costs, they use vehicles filled with bio-fuel energy; bio-extracted pesticide and fertilizers; natural products to deodorize; and water/energy saving devices.

Likewise, most of the entrepreneurs have mentioned about the reuse, reduce, and recycle of materials. However, at the same time, to satisfy customers, they support many forms of activities that could generate environmental pollution and degradation of the natural environment. Following the perceived demands of customers, they refrain from using reusable materials. To some extent, local tourism entrepreneurs mention that customer behavior and the high cost of water/energy saving devices make it difficult to develop sustainable practices. Actually, on the basis of these findings, one could question whether local tourism entrepreneurs even understand the sustainability concept. They show no initiative to, for example, develop and invest in natural quality and landscape quality, cooperate with local communities to preserve natural and cultural identity, use environmental friendly products intensively, properly manage waste, initiate environmental friendly processes, and reduce and recycle (e.g. cradle-to-cradle) renewable materials.

### **6.1.3 Socio-cultural capital**

According to Telos<sup>60</sup>, the basic issue in relation to socio-cultural capital is the level of participation of the entire population in socio-cultural, economic, and political processes. To be able to participate, two fundamental components are essential, the freedom to participate (rights) and the means to do so (resources). Freedom relates to issues of social justice, giving everyone the right to participate. The means is about the access to and availability of living conditions, the education system, the health and health care system, safety, and other elements that enable people to participate. When looking at tourism through the lens of socio-cultural sustainability, they have a close relationship, in terms of the freedom and ability of both local residents and tourists to access leisure activities. For example, tourism provides recreational facilities for the use of both hosts and guests, stimulates the improvement of living conditions that help to develop physical and mental health conditions of local people and tourists, and encourages local cultural heritage preservation that promotes intercultural exchange enhancing local residents' self-esteem and bringing self-development to visitors. In this study, we applied the TSBS as a tool to assess the contributions of the tourism sector to the development of socio-cultural capital in Ubon Ratchathani. Within the TSBS, there are seven stocks to monitor socio-cultural capital. These stocks consist of: (1) social participation, (2) economic and political participation, (3) health, (4) education, (5) living conditions, (6) safety, and (7) art and cultural heritage. We have adapted these stocks to suit the case of Ubon Ratchathani by combining (1) and (2) into one stock: economic and social participation and have tried to include stocks (3) – (7) in assessing the quality of socio-cultural capital. In this section, in addition to the data collected

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<sup>60</sup> Interview with John Dagevos, senior research at Telos, 4 October 2011

from questionnaires, surveys, and interviews with local tourism entrepreneurs, we have collected data from interviews with tourism informants. For the methodological justification, see Chapter 4.

#### 6.1.3.1 Economic and social participation

The relationship of the economy (in this case, the tourism sector) and local communities is almost inseparable because, among other things, the sector's productivity partly arises from an adequate workforce available in local communities. On the other hand, the communities need the economic sectors to contribute to the employment and welfare of the local population, and the initiation of numerous social projects (scholarship projects, voluntary initiative schemes, and social campaigns). Within the TSBS, economic participation is first of all referred to in terms of (un)employment and of poverty prevention. Social participation relates to issues of personal identity and solidarity. In the context of Ubon Ratchathani, we have operationalized these indicators in such a way as to assess to what extent the tourism sector contributes to these forms of economic and social participation. Operationalizations include: 1) the (un)employment and poverty prevention, and 2) the involvement of tourism firms in society.

Table 6.13 shows that the tourism sector of Ubon Ratchathani mostly provides permanent job positions for the local population rather than temporary ones. However, this permanent employment in the tourism sector only provides for the prevention of local poverty in the short-term. The absence of pension funds for employees in the sector implies local poverty for the retired employees. Other than that, the employment in the tourism sector rarely leads to a broader prevention of social exclusion because, as previously mentioned (topic 6.1.1.2), the aged and the disabled are mostly excluded. Besides, although the tourism sector welcomes the aged and disable customers, they have no special facilities (e.g. wheel chairs and ramps) to service them. This could bring us to the conclusion that the tourism sector pays no organized attention to issues of poverty prevention and/or social cohesion.

When we try to look at how the tourism sector engages itself in local communities, once again, we discover different results between the survey and the qualitative interviews. The survey results in Table 6.13 show that the majority of investigated tourism firms support social participation by allowing employees to participate in religious or cultural ceremonies, encouraging customers to buy local products, urging local communities to sell products in their premises, and cooperating with educational institutes to develop tourism. In contrast, the qualitative interview results demonstrate that those religious or cultural ceremonies are only those which are closely linked to Thai holidays. And being a service industry that serves customers during the holidays, tourism employees tend to be asked to work during those time. What's more, tourism firms do not seem to play an active role in encouraging their customers to buy local products. Also the support for locals to sell local products in their

area seems not be practiced widely. There is a tendency to allow customers to enjoy their private time, rather than, having them ‘bothered’ by locals. Besides, the firms have little chance to work together with educational institutions because they only focus on running daily business transaction. A contradictory finding is also found in the firms’ social fund arrangements. While the survey results give us a picture of most of the investigated tourism firms not arranging social funds for local communities, the qualitative interview reveal that some local tourism entrepreneurs have individually arranged social funds, based on their personal willingness to help society. These social funds contain either financial support (donations and scholarships) or non-financial supports (food for orphans and contributions of sports equipment, music instruments, student uniforms, and student stationery). However, the funding arrangements seem rather unpredictable, and unsystematic. Last, there was a certain willingness to have students apprentice in their firms. Nonetheless, in the interviews with tourism entrepreneurs, they reflected that students rarely desire to be trained locally in small and medium sized firms (Iv. 5, 7, 8, and 13).

The conclusion must be that the contribution of the tourism sector of Ubon Ratchathani to levels of economic and social participation is rather restricted; they only sporadically engage themselves in the society.

#### 6.1.3.2 Health

The sustainable development also includes a fair right/freedom for everyone to have access to health safety. From the perspective of the TSBS, this includes: the individual satisfaction with mental and physical health, and the availability of a good health care system. In the context of Ubon Ratchathani, we examined to what extent the tourism sector supports health and safety for both tourism employees and tourists by operationalizing the indicators as: 1) the availability of health care provisions in the tourism sector, and 2) the level of promotion of safe working condition.

Table 6.14 provides data pointing to the relatively low support of health and safety in the tourism sector in Ubon Ratchathani. For instance, we hardly find health care insurances for tourism employees. Entrepreneurs reason that they have arranged health care access for employees through the Social Security Fund, a basic health welfare program in which money is collected from three parties: the employer, the employee, and the government. From this social security fund, employees can be reimbursed if they are sick, give birth, are laid off, injured, or die. In fact, it is the rule of law that all firms must register themselves to this fund to make sure that all employees can access a good health care system. However, the qualitative interviews indicate that a number of small-scale firms have not registered themselves for this fund, indicating both the unavailability of health care provision for some tourism employees, and an improper enforcement of the law.

When we changed our focus to the provisioning of health care facilities for tourists, we found that all of the investigated tourism firms only provide first aid boxes, and they have clear signs designating non-smoking areas (with some firms having separate floors for smoking customers). However, it is likely that what the entrepreneurs are most concerned about here is not the issue of health safety, but the issue of property damage:

“Customers have little discipline. They smoke in the room in which it is prohibited to smoke and then burn our blankets, pillows, and bedclothes with their cigarette ashes. We have to buy new ones.” (Iv. 33)

“We separate the floors as non-smoking and smoking floors, but customers always think that they have already paid so they can do what they want.” (Iv. 13)

Assessment results of the promotion for safe working conditions in the tourism sector indicate a somewhat marginal involvement. For instance, by arranging two drivers on a long trip and providing rest areas and food for employees, the tourism sector demonstrates an understanding that safety is necessary. However, in the end, tourism firms seem more interested in the economic benefits, as most expect their employees to work overtime, especially during the high season period, for small hourly rates. The poor availability of breaks during peak season periods creates poor working conditions, even though most entrepreneurs say that they give employees a high remuneration during the high season.

#### 6.1.3.3 Education

In terms of the TSBS, education is significant because it ensures a productive society and creates individual self-development and self-respect. Values and standards of education should be transferred from one generation to the next. In this study, we restricted our investigation to the extent to which the tourism sector in Ubon Ratchathani promotes educational development for employees. The indicator is operationalized in terms of the promotion of life-long learning for tourism employees.

As can be seen from Table 6.15, the tourism sector of Ubon Ratchathani only poorly promotes the development of education for employees. None of the investigated tourism firms has educational funds for employees nor do they encourage employees to continue their studies. It is obvious that the investigated tourism firms, especially in the tour-operating sector, have a tendency to terminate job contracts if their employees are going to pursue further studies. At the same time, we hardly see additional knowledge provided for tourism employees, for example about the responsibility for the ecological system. Tourism firms have not yet seen education as a part of a broader process to create improvement in their product quality. Promotion of life-long learning in the tourism sector of Ubon Ratchathani is unlikely.

Table 6.13 Socio-cultural capital: A result of empirical research on the contribution of the tourism sector in Ubon Ratchathani to the economic and social participation

Indicators	Evaluation**	Data required		Research result summary			
Accom.	Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation		Tour operator	
				Yes (%)	No (%)	Yes (%)	No (%)
1. Economic and social participation							
1.1 The (un)employment and poverty prevention	Mode-rate - Low	1. Most of employees are in temporary positions	1. Most of employees are in temporary positions	16 (27.6)	42 (72.4)	9 (40.9)	13 (59.1)
		2. Arrange a special pension fund or insurance for employees	2. Arrange a special pension fund or insurance for employees	0 (0.0)	58 (100.0)	1 (4.3)	22 (95.7)
		3. Give priority to locals when considering hiring employees	3. Give priority to locals when considering hiring employee	56 (93.3)	4 (6.7)	19 (82.6)	4 (17.4)
		4. Most employees are aged 22 – 35 years old	4. Most employees are aged 22 – 35 years old	50 (83.7)	9 (15.3)	16 (72.7)	6 (27.3)
		5. Hire disabled persons	5. Hire disabled persons to work in the office	2 (3.4)	56 (96.6)	0 (0.0)	23 (100.0)
1.2 The involvement in society of tourism firms	Mode-rate / Low** *	6. Experience serving disabled/aged customers on trips	6. Experience serving disabled/ aged customers on trips	41 (68.3)	19 (31.7)	15 (71.4)	6 (28.6)
		7. Arrange social funds (charity projects, education support projects, voluntary initiatives or campaigns) for local communities*	7. Arrange social funds (charity projects, education support projects, voluntary initiatives or campaigns) for local communities*	22 (37.9)	36 (62.1)	0 (0.0)	23 (100.0)
		8. Allow employees to participate in religious/cultural ceremonies conforming to their religion/culture*	9. Allow employees to participate in religious/cultural ceremonies conforming to their religions/culture*	54 (91.5)	5 (8.5)	19 (86.4)	3 (13.6)

**Table 6.13 Socio-cultural capital: A result of empirical research on the contribution of the tourism sector in Ubon Ratchathani to the economic and social participation (continued)**

1.2 The involve-ment in society of tourism firms	9. Encourage guests to buy local products/services*	10. Encourage customers to buy local products/services*	44 (78.6)	12 (21.4)	19 (90.5)	2 (9.5)
	10. Encourage local communities to sell their products in the firm's premises*	11. Make chances to co-operate with local communities to develop tourism (arrange tourism activities together)*	31 (53.4)	27 (46.6)	9 (45.0)	11 (55.0)
	11. Allow students to apprentice in the firm	12. Allow students to apprentice in the firm	41 (68.3)	19 (31.7)	18 (94.7)	1 (5.3)
	12. Co-operate with educational institutions to develop tourism (e.g. conduct research together)	13. Co-operate with educational institutions to develop tourism (conduct research together)*	0 (0.0)	58 (100.0)	12 (63.2)	7 (36.8)

\*\* The results of the interviews were different than that of the survey\*\*

**Remark:** Evaluation \*\* = see Appendix 4 (Table 5, 6) and the assessment is based on the information collected in 2010.

Table 6.14 Socio-cultural capital: A result of empirical research on the contribution of the tourism sector in Ubon Ratchathani to health

Indicators	Evaluation**	Data required		Research result summary			
		Accom.	Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation	Tour operator
2. Health						Yes (%)	No (%)
2.1 The availability of health care provision in the tourism sector	Low	Very low		1. Provide health care insurance for employees 2. Designate to separate an area for smoking with clear signs 3. Health care system management (interview)	1. Provide health care insurance for employees - - All firms have safety first aid (e.g. first aid boxes available)	0 (0.0) 40 (67.8) 19 (32.2)	23 (100.0) - -
2.2 The level of promotion of safe working condition	Mode-rate	Low		3. Give employees a high remuneration because their everyday work is more than 8 hours a day particularly a high season period 4. Provide common area or resting area for employees 5. Arrange sufficient and good quality food for employees	2. Give employees a high remuneration because their everyday work is more than 8 hours a day particularly a high season period 3. Arrange two drivers and two tour guides anytime for one bus (30 - 50 customers) when providing trips 4. It is very important to enforce employees to work if there are coincidently many trips to arrange even though it is in the period of employees' holiday	47 (79.7) 51 (86.4) 45 (77.6)	1 (4.5) 1 (4.5) 2 (10.0)

**Remark:** Evaluation \*\* = see Appendix 4 (Table 5, 6) and the assessment is based on the information collected in 2010

Table 6.15 Socio-cultural capital: A result of empirical research on the contribution of the tourism sector in Ubon Ratchathani to educationh

Indicators	Evaluation**	Data required		Research result summary			
		Accom.	Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation	Tour operator
3. Education							
3.1 The promotion of life-long learning for tourism employees	Low	Very low - low		1. Arrange educational funds for employees to further study	1. Arrange educational funds for employees to further study	Yes (%)	No (%)
						0 (0.0)	58 (100.0)
				2. Training courses are provided for employees when they first started their work only	2. Training courses are provided for employees when they first started their work only	26 (44.1)	33 (55.9)
				3. Weekly distribute announcements, tips, and information to all employees about ecological and social responsibility issues	3. Weekly distribute announcements, tips, and information to all employees about ecological and social responsibility issues	0 (0.0)	58 (100.0)
				4. Have a policy of resign (from the job) to further study for employees	3. If employees want to further study, they have to resign from the jobs	0 (0.0)	58 (100.0)
						0 (0.0)	22 (100.0)

**Remark:** Evaluation \*\* = see Appendix 4 (Table 5, 6) and the assessment is based on the information collected in 2010



#### 6.1.3.4 Living conditions

According to the TSBS, living conditions concern the population's possibility to access public facilities, to afford houses, and to be satisfied with home surroundings which should be safe, healthy, and comfortable. When adapted to the situation of Ubon Ratchathani, indicators are operationalized in terms of: 1) the development of living conditions, and 2) the perception of noise/smell/litter problems generated from tourism. In this section, findings are based on qualitative interviews with tourism informants.

The interview results indicate that the tourism entrepreneurs spoken to are conducive to the improvement of living conditions in terms of public infrastructure and facility development. In addition, although in some areas of Thailand tourism creates antagonism in local communities because of the socio-cultural and environmental effects such as increased slums and littering (Soontayatron, 2010), Ubon Ratchathani has not seen this impact (Table 6.16). We have to take into consideration that tourism in Ubon Ratchathani is considered in the involvement stage of the tourist destination life cycle where local residents still appreciate the presence of tourists (Hongsraragon, 2008). However, one problem that has been gradually building up concerns littering. It produces a negative visual impact in some places where there is no specific responsible party handling waste management. This could directly affect the performance of the tourism sector in the long term. Local tourism entrepreneurs, nevertheless, are likely to see this problem as the local government's problem rather than their own.

#### 6.1.3.5 Safety

From the perspective of the TSBS, safety is concerned with risks which may occur from causes such as violence, accidents, disasters, and others conditions that make people feel unsafe. Social safety may be increased by reducing the number of accidents, but attention should also be paid to people's risk perception: the perception of risks and the actuality of risks are often not directly related. In Ubon Ratchathani, we interviewed tourism entrepreneurs about whether they have prevented accidents/losses or have punished employees who caused accidents, engaged in violence, harassment, vandalism, burglary, crime, or any other disturbing behavior. In doing so, we tried to investigate how the tourism sector views its responsibility for social safety.

Table 6.17 demonstrates that the tourism firms studied regard safety as one of the key success factors of their service quality. We discussed how tour firms attempt to prevent accidents by arranging two drivers for long trips. Similarly, in the accommodation sector, firms have security systems (such as the provision of video camera, fire exits, fire alarms, fire safety boxes, safety signs, and security guards). Partly, there is the question whether these systems are arranged in accordance to safety regulations, and we also should take into account that firms have different types of security systems, depending on their financial capability. Some hotel entrepreneurs have fired their employees who steal customers'

belongings. In all, local tourism entrepreneurs have a tendency to primarily think about safety assurance in terms of their business reputation rather than in terms of a more overarching social quality.

#### 6.1.3.6 Art and cultural heritage

The TSBS sees the preservation of art and cultural heritage and the active and passive use of culture as important ingredients of an overarching sustainable development. In the tourism sphere, art and cultural heritage in the region are very important resources attracting tourists. We tried to assess the extent to which the tourism sector in Ubon Ratchathani involves itself in cultural participation through the promotion of art and cultural heritage preservation. Indicators are operationalized in terms of: 1) the level of active involvement of tourism entrepreneurs in art and cultural heritage preservation, and 2) the level of maintenance of cultural heritage sites of tourism firms.

The level of active involvement by the tourism sector in art and cultural preservation is relatively low (Table 6.18). Most tourism firms interviewed encouraged or required employees to wear local dress, particularly during cultural events such as Thai New Year (the Songkran festival). In addition, they decorate their spaces in contemporary style mingled with local culture. In so doing, local tourism entrepreneurs are likely to make use of cultural preservation themes promoted by the government via mass media broadcasting as part of their marketing strategy. They are likely to have a mere passive or rather functional cultural preservation outlook, as there is no basic cultural preservation strategy in their mind. The majority of tourism firms do not voluntarily donate to preserve heritage sites, and neither do they enthusiastically participate in cultural preservation groups, nor creatively arrange for any cultural preservation. However, during the interviews some entrepreneurs addressed the lack of cultural preservation leadership in Ubon Ratchathani and indicated that it may restrain the development of tourism:

“Ubon is my hometown. I want to sell Ubon to tourists. What can we sell? Culture or nature? The government promotes cultural tourism but I see no hope because Ubon has no strong group for cultural preservation. We have only temples. No one creates any cultural events. Only the candle festival is organized once a year and that is not enough. I want Ubon to be like Chiang Mai where the culture can actually be sold...” (Iv. 9)

Table 6.16 Socio-cultural capital: A result of empirical research on the contribution of the tourism sector in Ubon Ratchathani to living conditions, safety, and art and cultural heritage

Indicators	Evaluation **	Data required		Research result summary	
		Accom. Tour behaviour	Tour operator behaviour	Accommodation	Tour operator
4. Living conditions				Yes (%)	No (%)
4.1 The development of living conditions (interviews with experts)				Sufficient carrying capacity	
4.2 The perception of noise/smell/litter problems generated from tourism (interviews with experts)				Litter problem from tourism activities	
<b>Remark:</b> Evaluation ** = see Appendix 4 (Table 5, 6) and the assessment is based on the information collected in 2010					

Table 6.17 Socio-cultural capital: A result of empirical research on the contribution of the tourism sector in Ubon Ratchathani to safety

Indicators	Evaluation **		Data required		Research result summary	
	Accom.	Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation	Tour operator
5. Safety						
5.1 The responsibility of the tourism sector to social safety (availability of accident prevention or punishment in the case of staff who are part of violence, accidents, crimes, or other risks on social safety- interviews with experts)						
					Some form of punishment was reported in cases where staffs stole customers' belongings (in 4 hotels)	
Remark: Evaluation ** = see Appendix 4 (Table 5, 6) and the assessment is based on the information collected in 2010						

Table 6.18 Socio-cultural capital: A result of empirical research on the contribution of the tourism sector in Ubon Ratchathani to art and cultural heritage

Indicators	Evaluation**	Data required		Research result summary			
		Accom. Tour	Accommodation provider behaviour	Tour operator behaviour	Accommodation	Tour operator	
6. Art and cultural heritage					Yes (%)	No (%)	No (%)
6.1 The level of active involvement of tourism entrepreneurs in art and cultural heritage preservation	Low	Mode rate	1. Encourage and require employees to wear local dress (involvement in cultural preservation) 2. Decorate office spaces, public areas, and guest rooms in contemporary style mingled with local styles	1. Encourage and require employees to wear local dress (involvement in cultural preservation) 2. Decorate office spaces or buses in contemporary style mingled with local styles	25 (43.1)	33 (56.9)	7 (31.8)
6.2 The level of maintenance of cultural heritage of tourism firms	Very low - low	Low	-	3. Arrange tour packages that let tourists explore the local cultural heritage	-	-	8 (36.4)
			3. Contribute to restoration or preservation of cultural heritage	4. Contribute to restoration or preservation of cultural heritage	0 (0.0)	58 (100.0)	8 (36.4)
			4. Participate in cultural preservation organizations	5. Participate in cultural preservation organizations	17 (28.8)	42 (71.2)	0 (0.0)
							23 (100)

**Remark:** Evaluation \*\* = see Appendix 4 (Table 5, 6) and the assessment is based on the information collected in 2010

### Conclusions on socio-cultural capital

We categorized the results of the assessment of the socio-cultural indicators into two main types: positive and negative impacts. Positive impacts concern the positive effects of the tourism sector for economic and social processes (e.g. producing job employment, a provision of apprenticeship for students, and the humanitarian personality of entrepreneurs), for forms of social safety (arrangements of security system, using two drivers, and protection of customers' losses), and for stimulating health and safety (arrangements of non-smoking areas, first aid boxes). The negative impacts concern a high degree of social exclusion (the unavailability of facilities for disabled/aged customers, the exclusion of disabled/aged person as employees), a low level of poverty prevention (low support of local products, the unavailability of pension funds for employees), low support of health/safety for employees (inadequacy of breaks during the high tourism season), a lack of educational development for employees (the unavailability of promotion for further study and external professional training), a low level of improvement in living condition (an ignorance of litter problems), and a passive role in art and cultural heritage preservation. The conclusion must be that local tourism entrepreneurs do not yet fully realize the interdependence of their firms with the overall socio-cultural functioning of the Ubon Ratchathani society.

#### **6.1.4 The overall conclusions**

As shown in Table 6.19, the overall assessment results appear to indicate that tourism in Ubon Ratchathani has more weaknesses than expected in all forms of capitals: economic, ecological, and socio-cultural. With regard to economic capital, the tourism sector is unlikely to give a high priority to local suppliers; to cooperate with other sectors to develop new markets/new tourism products/processes; to invest in organizational knowledge creation through education and professional training; or to invest in improving tourism facilities. In part, this is because of the risk-avoiding attitude and the routine-based business practices of local entrepreneurs. As a result, the generation of income does not provide much stimulation to regional welfare, even though local jobs are created. In the case of ecological capital, the tourism sector manifests a low level of investment with regard to the nature development, a marginal use of environmentally friendly products, a marginal reduction in (non)-renewable materials, an unsystematic waste management program, low cooperation with related parties to initiate the improvement of the quality of nature, no significant prevention of greenhouse gas emissions or noise pollution, and no relevant investment in the quality of the landscape. The same is true regarding socio-cultural capital where the tourism sector does not invest very much in employees' life-long learning or health care. In addition, the sector manifests a high degree of social exclusion, a low engagement in society, and a low contribution to the improvement of living conditions. The preservation of local culture though social funds has been arranged individually and haphazardly.

**Table 6.19 A summary of evaluation result of the application of the TSBS in Ubon Ratchathani**

<b>Overall</b>	<b>TSBS' s stocks</b>	<b>Indicators</b>	<b>Evaluation of the tourism sector**</b>
Econo- mic	1. Capital goods	1.1 The level of (re) investment by the tourism sector in the local economy	Very low
		1.2 The level of business cooperation	Very low
	2. Labor	2.1 The access to tourism firms for different labor groups	Low
		2.2 The overall function of touristic labor market in the region	Moderate
	3. Knowledge	3.1 The quality of tourism labor force	Very low
		3.2 The level of knowledge and skill development	Low
		3.3 The attention to knowledge creation by tourism entrepreneurs	Very low
	4. Economic structure	4.1 The Gross Provincial Products (GPP per capita)	Low
		4.2 The contribution of tourism to the GPP	Low
		4.3 The number of tourism start-up firms	Moderate
		4.4 The number of visitors	Low
		4.5 The visitor's expenditure	Low
	5. Spatial location condition	5.1 The public transport infrastructure and the accommodation infrastructure	Low
Ecolo- gical	1.Nature and biodiversity	1.1 The level of investment by tourism firms in nature development	Very low
		1.2 The participation of tourism firms in nature conservation or preservation groups	Very low
		1.3 The stewardships of nature in UR by tourism entrepreneurs	Moderate (passive*)
	2.Air quality and noise	2.1 The availability of environmentally friendly products/processes	Low
		2.2 The emission of greenhouse gases	Very low
		2.3 The level of noise pollution protection	Very low
	3. Water	3.1 The existence of water saving strategies	Low
		3.2 The provision of education on water saving for tourists	Very low
		3.3 Water pollution management	Moderate (passive*)

**Table 6.19 A summary of evaluation result of the application of the TSBS in Ubon Ratchathani (continued)**

	4. (Non) renewable materials and energy	4.1 The level of reduction of (non) renewable materials	Low
		4.2 The level of energy saving	Low
		4.3 The waste management	Low (passive*)
	5. Quality of Landscape	5.1 The level of investment by tourism firms in landscape quality	Low
		5.2 The cooperation level between tourism firms and the wider community to maintain landscape qualities	Low
	Socio-cultural	1. Economic and social participation	
		1.1 The (un)employment and poverty prevention	Moderate
		1.2 The involvement in society of tourism firms	Low
	2. Health	2.1 The availability of health care provision in the tourism sector	Low
		2.2 The level of promotion of safe working condition	Moderate
	3. Education	3.1 The promotion of life-long learning for tourism employees	Low
	4. Living conditions	4.1 The development of living conditions	Moderate
		4.2 The perception of noise/smell/litter problems generated from tourism	Moderate
	5. Safety	5.1 The responsibility of the tourism sector to social safety	Low
	6. Art and cultural heritage	6.1 The level of active involvement of tourism entrepreneurs in art and cultural heritage preservation	Very low
		6.2 The level of maintenance of cultural heritage sites of tourism firms	Very low

**Remark:** (passive\*) = the interview results  
 \*\* = See Appendix 4 (Table 2, 4, 6) for the norms  
 The above set of evaluations is based on the information collected in 2010.

## 6.2 The possible resulting strategic agenda based on TSBS perspective

Based on the result of the analysis demonstrated in Table 6.19, as yet, the contribution of the tourism sector to the multidimensional (economic, ecological, and social) development of Ubon Ratchathani can be characterised as rather low. To improve the developmental quality of tourism in Ubon Ratchathani in accordance with the TSBS, based on our research results, we propose six points of attention:

*a. An inclusive information system:* One of the difficulties we faced in our study (again) concerned the lack of related data, ecological and social in particular, but also economic, to fill our indicator system. Especially at the regional level the database system is scattered, fragmented, and outdated (see also Chapter 4). This makes it difficult to evaluate the sustainable development of tourism in Ubon Ratchathani. Without an inclusive information system (economic, social, and ecological data), involved developmental parties will have no idea what the current position of regional tourism is. They cannot verify the quantitative or qualitative impacts of their actions in relation to other tourist regions, predict potential problems, or motivate stakeholders to take into account social responsibility. They will likely make ineffective management decisions. To be able to enhance and stimulate regional tourism to interact in positive developmental ways with its environment, a more inclusive information system is critically needed. This must provide an overview of the current effects of tourism, not only on the economy, but also with regard to the broader ecological and socio-cultural environment. An effective information system should meet three requirements:

- *The need for more adequate “3P” result indicators:* Because of its dependence on the exploitation of regional ecological and socio-cultural resources, tourism is constantly in danger of degrading its own resource base. Instead there is an urgent need to contribute to the maintenance of these resources. Hence there is the danger of a short-term economic value creation. Without a continuing good maintenance of ecological and socio-cultural resources available, tourists will in the end no longer come to the region, thus also affecting the socio economic well-being of the regional population in the long-term. To make tourism more sustainable, there is the need for more adequate “3P” indicators to check the more comprehensive contextual impacts of the tourism industry, thus stimulating its long term economic viability. These effects include economic, ecological, and socio-cultural conditions resulting from tourism and its interactions with its environment.

- *The need for stakeholder involvement:* In many cases the tourism sector does not take into account the preservation of regional resources (ecological and cultural



attractions) because they are considered external to the tourism sector, as public resources. The costs of maintaining and developing these resources are not borne by tourists and/or the tourism sector, but rather by the regional population writ large, who thus have to pay for the costs of possible forms of economic, ecological, and socio-cultural destruction resulting from irresponsible forms of tourism. In this case, the tourism sector is regarded as a “free rider”; instead of conserving natural and cultural attractions in the region, it leaves the external costs behind after reaping the economic value from the region, arranging tour packages to yet unspoiled regions. A more inclusive information system could be a tool used to enhance regional stakeholders to become co-responsible for their own area development. Thus, an inclusive information system should be interactive, involving regional stakeholder organizations related to tourism to be co-owners of the inclusive information system, implying a combination of forms of expertise and a bottom-up processes in which the regional populations play an active role in setting the strategic agenda for regional tourism development and in improving developmental standards. This could present stakeholders with an understanding of “where we are now” and “where we want to go” at a regional level. With this knowledge one result could be an increase in the motivation to initiate particular projects to achieve long-term development expectations.

- *The need for a strategy-based information feedback system:* An inclusive information system which helps in assessing the consequences of strategic actions incorporates aspects of both self-evaluation and benchmarking. That is, it describes development over time, is able to identify causal relations (between tourism and the “3P” conditions distinguished) in relation to strategic efforts, and is able to benchmark development in relation to best practices. The information system developed will allow for the encouragement of actions with positive effects and mitigation of activities that have negative effects, thus allowing for the improvement of the quality of regional tourism over time.

*b. Stimulating the sustainable development of the tourism system:* The interrelationship between tourism and ecological and socio-cultural resources is obvious since tourism’s attractiveness very much depends on the quality of these regional resources. However, the present tourism developmental dynamics are focussed on the competition of individuals (actors) to achieve profitability. Little attention is given to collective long-term risks which affect the society writ large, such as carbon dioxide emissions from transportation that negatively affect the greenhouse gas levels or social costs (e.g. the destruction of regional ecological and socio-cultural values). To shift tourism from a “low” to a “fair” license to operate requires internalizing certain external costs and there are two possible ways to do this.

- *Through public sector mechanisms:* One of the traditional ways to speed up the transition to sustainable development in the tourism sector is government intervention through the tax system and regulations aimed at nature preservation and social welfare. In looking at the ecological aspects, the tax system might apply either disincentives or incentives. A disincentive tax system involves the imposition of tax penalties: the more the tourism sector imposes pressures on the environment through externalities, the more environmental tax the tourism sector has to pay. From the opposite perspective, the incentive tax system involves tax reduction or credits. The more that tourism firms operate in a “green” manner participating in environmentally responsibility practices, the less tax they will have to pay. Social concerns that businesses need to be concerned with involve a stability of economic benefits, for instance, during times of unemployment and the period after retirement. These are addressed with unemployment taxes, and social security taxes. An alternative to tax programs is the intervention of the government with regulations, a powerful instrument to protect both ecological and social consequences. To make the regulations more effective, strong enforcement mechanisms are crucially required to prevent ecological degradation and damage to the cultural heritage, as well as an increase in social equity. Regulations to prevent negative ecological consequences may include, for instance, pollution controls, waste management laws, speed limits to achieve the optimum fuel-efficiency, and deforestation controls. Regulations to preserve ecological consequences may include, for instance, pollution controls, waste management, automotive speed limits to achieve the optimum fuel-efficiency, and deforestation controls. The regulations to prevent the destruction of the cultural heritage may involve laws to prohibit the removal of artifacts from cultural heritage sites, regular periodic inspection of damage to permanent cultural artifacts – an inclusive cultural heritage protection system. The regulations to provide more equal opportunities to society may embrace social and health safety, education rights, social security, job opportunities, political participation, and freedom of identity and speech.

- *Through the market system:* The initiative to internalize external costs of the tourism sector implies value adding in combination with productivity strategies, and in collaboration with regional stakeholders. By enriching tourism products to be more inclusive, authentic, and socially and environmentally responsible, more economic value can be created on the one hand through cost saving and on the other hand through providing a more economically valuable tourist experience. Think here about environmentally friendly devices, the use of alternative energy, eco-friendly building design, and a “buy local” policy; these and other strategies might help entrepreneurs in the tourism sector reduce costs. More philanthropic behavior, social value, and environmentally rich tourism products can enrich valued experiences to tourists. The use of eco-friendly cleaning chemicals (and naturally extracted air conditioning scents, soaps, shampoos, and other guest amenities), and support of environmentally friendly

and social responsible activities often delivers a welcome and impressive experience to customers that they are willing to pay for. Why? Tourists in particular often look for new experiences that are different from their routine life and are willing to pay incremental prices if they perceive the value of these special products delivered by the hotel exceed their expectations. The differentiation strategy of offering more socially responsibility activities (e.g. providing environmentally friendly products or services, providing more job opportunities to the disabled and the elderly, supporting local products, and participating in community development/cultural preservation activities) assists the hotel sector in adding customer value and hence addition economic value. In this process, tourists feel good because of the authenticity of the experience and the perception of meaningful environmental and social responsibility as part of their leisure activities. At the same time, regional stakeholders (local residents) could support the development of tourism by sharing their hospitality (receptiveness, friendliness, and helpfulness) which is one of the important attractiveness factors for tourists (Ritchie and Zins, 1978; Ritchie and Hu, 1993). Therefore, one way of internalizing more external costs in the tourism industry may be through providing tourists with more experience value, which may work as a suitable way to obtain a premium price.

c. *The new entrepreneurial model:* A setting where everyone is competing with cheap prices contains high risks, especially for local small and medium-sized tourism firms. They risk being slowly wiped out by the competition when a powerful tourism firm appears in the region and is able to produce on the basis of a higher productivity and lower costs. To avoid this risk, changing from a price competition strategy to a value creation strategy must be taken into consideration. The reasons why the value creation strategy is important are twofold: it is the new trend and it leads to a rise in social welfare. Value creation will be the new competition form in the future because it is a new trend in which customers are likely to show more concern with the environment and social responsibility because the increased standard of living makes customers become more health conscious. Just look at the expensive organic foods but they are supported by customers. This implies that customers want to live their lives in better living conditions where, for instance, food is not contaminated and the environment is safe and not polluted. It could be said that customers become more aware of the negative effects from the business operations of socially irresponsible entrepreneurs. The rise in social welfare results from the increasing number of middle class, high-income earners who desire to escape from their routine working life to experience something different than their normal life. In searching for new opportunities, providing a rich experience by combining chain-based with place-based enrichment of tourism products for which middle class customers are willing to pay more should be emphasized. To do so, more collective forms of business leadership must be taken into account. For example, collaborating with farmers, fishermen, weavers and potters to provide activities that allow tourists to experience authenticity (e.g. milking cows, fishing, picking organic fruits and vegetables with farmers, weaving cotton and silk fabric, or molding

traditional pots with local craftsmen), and the natural environment by increasing relaxing green areas requires the tourism firm to involve the local community in its business model. It is a value creation strategy to enrich tourist experiences and later tourist satisfaction. This makes it possible for tourism firms to charge higher prices through these value added products and at the same time, local residents can generate income through tourism development and are proud of their local identity. It is a win-win strategy, cooperation of tourism firms and the local community to develop their own region hand in hand. Shifting to this new entrepreneurial model requires an innovative policy to help local entrepreneurs develop their strategy from the old low price competition model to the new model of value creation through the combination of the tourism chain and local authenticity. Practically, in the case of Ubon Ratchathani, the more innovative entrepreneurs (e.g. the manager of Chumphon Cabana Resort and Diving Center – see Case 1 and the corporate responsibility of Efteling – see Case 2) should be invited to Ubon Ratchathani to provide or share their business experiences. In this way, not only do local entrepreneurs learn from others' experiences, but it is also a way to inspire local entrepreneurs to improve their products to be more inclusive.

**Case 1: From threats to chances of Chumphon Cabana Resort and Diving Center, Thailand**

Faced with Thailand's financial crisis in 1997, Mr. Warisorn Rakphan - the managing director of Chumphon Cabana Resort had two alternatives, paying off 300 million baht in debt to financial institutions or business dissolution. On the edge of disaster, the resort decided to completely change its business practices to be more sustainable. That has resulted in the reduction of more than half of the debt. Self-reliance is the main objective in their business operations where environmental and social concern has been the focus. Through this self-reliance approach, first the green grass garden surrounding the low-rise buildings was converted into an organic rice field. Next, the poultry farm was established, where ducks and chickens have been fed with food scraps left over from the kitchen. Along the footpath and throughout the resort the landscape has been planted with fruit and vegetables instead of flowers and grass like the standard resort and hotel landscaping. The plants (rice, fruits, coffee, and vegetables) have been nourished with organic fertilizer derived from waste (excrement, vegetable waste, and food scraps) and protected with organic pesticides. Harvested has been transformed into brown rice by retired employees of the resort. Rice chaff has been put to use as organic fertilizer and a component of the wastewater treatment facility. Rice bran has been transformed into fish and poultry feed. Further, the resort has started a company operated by a small group of their local retirees who produce shampoo, conditioner, shower cream, hand soap, deodorants, cleaning and washing liquids and so on made from local natural resources, and bio-diesel and candles produced from used cooking oil. These are sold to the resort. In doing this, the resort is able to provide both economic and social benefits for retired employees.

Additionally, a retaining pond was created for wastewater treatment. This pond at the same time has been used to culture fish, once again, fed by food scraps. These organic products have provided an organic menu for resort customers. The resort is very seriously concerned with the quality of environment and provides neither jet skis nor scooters for customers and does not construct high-rise buildings that would block the sea view. Solar power has been employed in the conference rooms. All areas of the resort are blanketed by groundcover and tree leaves in order to enrich the soil quality and to protect the soil from erosion. The resort has been surrounded by a canal full of vegetation used to treat wastewater from the buildings to protect the sea. Moreover, the resort cooperates strongly with local communities to preserve the local grain by encouraging local people to grow organic grains. The resort buys all of this grain and has initiated tourism programs for customers to experience “eating local rice and listening to folk music in the fields.” Not only the network of local rice growers, but also fruit and coffee growers, fishermen, and forest and water preserving groups have been linked to provide tourists with authentic nature-touched tourism programs. In addition, the resort has organized sea protection activities by encouraging tourists to dive in order to collect underwater garbage (the Gulf of Thailand and the Andaman Sea) and has sponsored wildlife and plant preservation groups. Additionally, the resort has become an agroecology learning center that has contributed significantly to the development of local communities and the resort itself by generating unique selling points that can attract a huge number of tourists (see also Arunothai, 2006; Sribunsarn, 2009: 13-16; Green World Book by PTT, 1999-2008; 278-279; <http://cabana.co.th/2012/>, retrieved 12 November 2012).

### **Case 2: Efteling and the corporate social responsibility**

Efteling, established as a fairytale forest in 1952, is the third most popular theme park in Europe, located in Tilburg, The Netherlands. In its woodland and sandy setting, water is very important for Efteling to support its design providing irrigation for the parks and gardens, supporting a large variety of water-based attractions, and refilling many lakes and fountains. However, groundwater was the only source of water for Efteling and there is a legal restriction on pumping ground water in this area. To solve the problem, Efteling has laid down pipelines and buys half purified wastewater from the sewage treatment plant and then lets the wastewater sinks into the soil (sand) on its park to clean it itself. The water then flows into a reed bed which acts as a biological filter (the helophyte system). After that, the water, purified and of good quality, is used to water the park and supplies the large number of lakes and water-based attractions. The use of the water purification system in Efteling helps the business save groundwater and still have sufficient water to maintain its operation. Further, Efteling uses an underground water source for their air-conditioning and heating systems. Water is pumped up from the natural well in the cold season to heat

attractions and in the hot season to cool. The water is pumped back underground again after it has been used. This alternative water source is Efteling's frugal innovation to innovate its business model sustainably under the water resource constraint. Additionally, Efteling has many projects to conserve nature (see Press Information of Efteling, 2011, [www.efteling.com](http://www.efteling.com), retrieved 15 January 2013), and also takes the needs of society into account in its business model by mainly employing local people and supporting against child deaths through donation. Money donated is collected from the park wishing well where customers drop coins when making a wish. In this way, Efteling can save children life from diseases, such as measles and malaria.

*d. The education system for the next generation:* The innovation policy needs to include innovation in education where the concept of shared value can be inculcated. The concept of shared value creation concerns the equality of the economic, ecological, and socio-cultural dimensions where one cannot thrive at the expense of one or both of the others. Therefore, the "3P" shared value creation notion is a very comprehensive and long-term perspective which looks at social needs in terms of not only market demands, but also the need for the internalization of externalities from economic activities. To simplify, it is a way of humans living in harmony with nature, thinking more about each other and treating each other with equity. From the business model perspective, the "3P" shared value creation is seen as means to strengthen economic value creation. Look at Toyota Prius as an example of the potential opportunity for the future of comprehensive growth. Considering the depletion of fossil fuel in coming years, the Japanese automobile manufacturer Toyota, looked at a long-term economic opportunity by developing a full hybrid electric automobile: Toyota Prius, one of today's most fuel efficient cars propelled by gasoline and/or electric power. In this way Toyota takes into account environmental concerns and also responds to social needs. As a consequence, there are many governments in developed countries such as the United Kingdom, Sweden, Belgium, and the Netherlands that have provided tax rebate incentives for the purchase of a hybrid car. This makes it easy for Toyota to expand its market, resulting in current growth for Toyota as well as future growth. As for tourism, the concept of the shared value creation is the co-creation perspective of building up tourism products to be more inclusive. It is a long-term perspective for tourism development that should be included in the curriculum, particularly in tourism or leisure programs or hospitality schools, in order to prepare the new generation to handle the global trend of tourism. It is necessary for the educational system to incorporate up-to-date knowledge ("3P" value creation), in relation to the international scheme, that is important to a strategic way of thinking which influences personal behavior and business operations. In addition, the educational system can strategically impact human development that can shape the next generation's attitudes to carefully plan and implement the "3P" shared value creation strategy in their practices, particularly in the business model for future competition.

*e. New markets: New opportunities in the global competition:* As multidimensional growth, economically, socially, and ecologically, becomes more and more fashionable, a new type of market emerges. The change of social welfare and environment induces the emerging target markets, for example, the health conscious market, the “going slow” market, the eco-localism market, and the “fair/meaningful” market. The health conscious market supports products that help to improve health or to revitalize health conditions. These products may include organic foods, anti-aging products, vitamins/nutrition supplements, and elective surgery in combination with a nice vacation for recuperation. The “going slow” target market wants to go from the unpleasant trip where one rushes to the ‘must see’ attractions to a higher quality product where the slow travel group wants an enriched trip experience. Another example is the slow food movement<sup>61</sup> which represents the authenticity, the conservation of traditional cuisine, the taste, the culture, the identity, the small-scale production, the pleasure, and the knowledge of quality, ingredients, and cooking (Verbeek, 2008: 28). The eco-localism market rejects globalization. Puntasen (2004; 2009) reports the rejection of “the more, the better” attitude in support of home-made/local/regional, or self-reliance based products. The “fair/meaningful” market looks for ethical conduct such as fair trade movement groups and volunteer opportunities. The common characteristic of these emerging markets is the preference for products, combined with regional caretaker principles in which the values of authenticity, social return on investment, stakeholder involvement, and regional chains are embraced. To fulfill the enrichment of experiences, these types of tourists are willing to pay more. Consider the fact that organic products are expensive but are still demanded. This kind of market will continue to grow in the future. The reason is that the social need for health, safety, and corporate social responsibility (including environmentally friendly practices) are growing in accordance with the desire for a better quality of life and an interest in increasing social welfare. Tourism firms moving early to explore this new type of tourist and going beyond the competitive price market will be able to reap benefits earlier, gain reputations, and become the leaders. The first mover has to open up to serve the new types of demands which pressure firms to improve the quality of products and to be more inclusive. In this context, the idea of “think globally, act locally” points to developing authentic local attractions for a global market that is looking for an authentic local experience.

### 6.3 Conclusion

The introduction of the sustainable development concept is aimed to ensure human well-being by integrating economic, environmental, and social developments. Although the concept is inclusive and global, it can only be implemented at the regional level. Given the sustainability concept, sustainable tourism has come to light as a strategic position to

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<sup>61</sup> [www.slowfood.com](http://www.slowfood.com), retrieved 5 February 2013, and [http://en.wikipedia.org/wiki/Slow\\_Food](http://en.wikipedia.org/wiki/Slow_Food), retrieved 5 February 2013

contribute to regional development and concurrently to reduce the pressures of human economic development on ecological exploitation and social costs.

By applying the TSBS as an assessment tool for regional tourism development, requirements and indicators for each stock embedded in economic capital, ecological capital, and socio-cultural capital are operationalized from the regional level to the tourism sector to evaluate the tourism system in Ubon Ratchathani. The results of the “3P” assessment give a comprehensive type of evaluation which, in our case indicated that the current state of tourism in Ubon Ratchathani is not very sustainable, with low levels of economic, environmental, and socio-cultural involvement. This implies that tourism is making a very small contribution to the sustainable development of the region. That is to say, it does not contribute very much to an efficient and healthy economic system, to the resilience and quality of the ecological system, or to the well-being of the social system.

In order to stimulate and facilitate a more sustainable development of regional tourism, the implications of applying the TSBS point to six requirements. First, there is a need for a new information system that must be inclusive (consisting of 3P indicators: economic, ecological, and socio-cultural dimensions), must involve regional stakeholders, and must serve as a feedback system for a regional development strategy. Second, there is a need for a new tourism economy that is able to internalize economic, ecological, and socio-cultural externalities in either a ‘passive’ way through a government mechanism (tax system, regulations, and social welfare) or in an ‘active’ way through market development (integrating the inclusive value adding strategy with the stakeholder collaboration). Third, to make the tourism system more sustainable, there is a need for an innovation policy to actively encourage local tourism entrepreneurs to change their perspective, shifting from the old business model focused on a pricing strategy to a new business model emphasizing a value creation strategy. This will not only provide for a better competition in the future but it will allow the business to survive into the future and allow the entrepreneurs to pass their businesses on to the next generation. Fourth, there is a need for the educational system to provide an informed perspective on the approach of co-value creation in which all-inclusive values are shared, since knowledge is regarded as an effective weapon to compete in the world system. Fifth, in order to remain in the sustainable and competitive position globally, local tourism entrepreneurs need to search for new market opportunities and at the same time to improve their product quality to meet the demands of the new type of tourists who want more authenticity, more environmental and social responsibility, and more social return on investment. Finally, the existence of the tourism system in the new era depends very much on the inclusive development in which the tourism system should mediate between the place interaction and the flow interests.





## **Chapter 7     Implications and conclusions**

Chapter 5 and 6 presented our analysis of the application of Porter's Diamond model and the TSBS related to Ubon Ratchathani tourism. Each assessment tool has a different underlying development perspective; while Porter's Diamond model (1990) approaches the competitive advantage of regions from an economic development perspective, the TSBS operationalizes a more integrated sustainable development perspective. When applying them to assess the development of tourism in the region of Ubon Ratchathani, they obviously delivered quite different assessments, with different consequences for the comparative positioning of the development of tourism in the region. In relation to that, this chapter has two aims: first, to more precisely typify the differences between these perspectives through the use of their assessment tools in order to discover the implications of these differences for a further development of regional tourism; second, to provide the implications and conclusions of this comparison and thus the conclusion of this study. We will start with the comparative study of the perspectives in section 7.1. Section 7.2 further elaborates on the differences between the underlying developmental perspectives and explores reasons why we need to shift from a mono to a multifunctional perspective. Section 7.3 provides possible implications for thinking through regional (tourism) developments in Ubon Ratchathani and Thailand from a multifunctional sustainability perspective. Finally, in section 7.4, we present potential future research on the sustainable development of regional tourism.

### **7.1     A comparison of assessment tools**

This section deals with a comparative study of the two assessment tools with their underlying perspectives to give us a clear picture of the different points of view. On the basis their application on Ubon Ratchathani tourism, we have identified eight analytical differences (Table 7.1).

**Table 7.1 Analytical differences between Porter's Diamond model and TSBS**

Aspects	Porter's Diamond model	TSBS
1. Context of comparison	Sector-based/flow-based	Inclusive "3P"-based/place-based
2. Basic strategic perspective	Economic competitive advantage	Sustainable development
3. Model of entrepreneurship	Economic entrepreneurship	Socially responsible entrepreneurship
4. Information system	Economic information system	Inclusive 3P information system
5. Policy making	Economic development policy	Sustainable regional development policy
6. Competitive strategy	Price/productivity policy	Shared value creation policy
7. Touristic product	Competitive destination	Regionally embedded experience
8. Educational system	Productivity oriented	Sustainable development oriented

Source: Author's analysis

### 1. Context of comparison

Porter's Diamond model has a sector-based perspective, looking at tourism from an economic angle. In terms of Castells's (1989) perspective on the current global informational economy, this primarily concerns a flow-based rather than a place-based perspective, in which the developmental stage of tourism is primarily assessed in terms of its competitive advantage over other possible destinations, pointing at the ability of the tourism sector to advance its competitive economic position globally. It emphasizes how the tourism sector in Ubon Ratchathani relates to other possible destinations in delivering services to satisfy tourists and how the tourism sector creates/improves productivity. This is because the tourism sector's main role is to facilitate the movement of tourists from one place to another, accommodate their stay, and facilitate experiences. The need to cooperate with other sectors to arrange trips and to meet the tastes and preferences of tourists is necessary, as this leads to an increase in tourist and capital flows. The flow-based perspective focuses on the functional interactions around clusters of economic activities to create a value network; the competitiveness of one firm causally affects other performances. At the level of the destination, the competitive advantage of tourism concerns the way firms work together to provide tourists with better and relatively cheaper trip experiences than other global competitors. When that occurs the competitive position is achieved and economic value is created. Thus, Porter's Diamond model has primarily a sector-based global market oriented, comparative viewpoint.

In relation to that, the TSBS has a more inclusive "3P"-based perspective, looking at the interactions between the economic, ecological, and socio-cultural dimensions of tourism

from a place-based outlook, (although seen in the context of its global environment). It analyzes the tourism sector in its regional setting where all the interactions of tourism with economic, social and ecological reality take place resulting in mixtures of internal and external effects. While Porter's Diamond model takes into account internal costs aimed at maximizing customer satisfaction and hence firms' profitability as a way to allocate resources (self interest is the driving force), the TSBS embraces both internal and external costs and allocates resources to mitigate external effects in order to achieve optimal conditions for the regional society rather than individuals. When more inclusive interactions between flow and place dynamics bring positive and negative impacts into a region, a more place-based perspective considers how to improve the quality of a region by trying to better balance respective values/interests. It looks at how a region might be able to absorb the external effects of tourism in its business modelling. To mitigate these effects, the TSBS focuses on the extent to which economic, ecological, and socio-cultural characteristics interact regionally the platform where the external costs from both production and consumption activities 'come down'. Therefore, the context of comparison of the TSBS is the development of one regional capital (economic, socio-cultural, ecological) in relation to another.

## **2. Basic strategic perspective**

In terms of its basic strategic perspective, the perspective underlying Porter's Diamond model puts an emphasis upon the economic competitive advantage of the production environment in a region, in relation to which ecological and socio-cultural circumstances are merely perceived as functional factors of production in the economic development process. It deems a region possessing a good climate, beautiful scenery, and cultural attractions as possessing valuable assets in attractiveness that can draw tourists to visit the region. It also considers a region having adequate highly skilled tourism workers and endowed, advanced, and specialized production factors such as transportation, infrastructure, and facilities as potentially attractive. The more these production factors are utilized efficiently and effectively, the more the productivity can be created, and thus the more competitive advantage of regional tourism.

In the strategic focus underlying the TSBS model regional ecological and socio-cultural values are not reduced to their economic value as in Porter's Diamond model. Instead the model positions their independent value. From the perspective of Porter's Diamond model, when ecological and socio-cultural entities have no functional value in the economic process, they become external effects, but the TSBS considers external effects in all entities as valuable and takes these into account in any interaction with tourism. Thus, its basic strategic perspective is much more inclusive with a concern for checks and balances which point to the important interconnection of things; the results of each action always affect the other. It supports the idea of the need for a reciprocity between dimensions: good economic

conditions of tourism can enable investment in environmental and social maintenance or enhancement and vice versa. The strategic perspective of the TSBS has turned the strategic perspective of Porter's Diamond model upside down. Porter's Diamond model gives prior attention to how the tourism sector uses regional ecological and socio-cultural values to fit current demand tastes, whereas the TSBS focuses on how the tourism sector might contribute to the quantitative and qualitative preservation, conservation, and development of regional ecological and socio-cultural values while at the same time supporting both current and future demand tastes. Put another way, while Porter's Diamond model emphasizes factor conditions relevant to only the economic performance of a region, the TSBS has more space for conflicting value systems by comprehensively taking ecological and social as well as economic progress into account.

### **3. Model of entrepreneurship**

From the perspective of Porter's Diamond model, entrepreneurship is basically about how tourism firms compete in order to attain international success, with the entrepreneurs' management style focusing on international competition, and ways to cope with changes that may affect a firm's position. In this sense, the decision making of entrepreneurs relies on a single vital tool: cost-benefit analysis. Most of the time, decisions they make are based on economic factors. They devote themselves to the pursuit of wealth creation as a meaningful action because they are embedded in capitalism. The ways they think and act are aimed at upholding the domination of economic welfare by accumulating things to generate as much wealth as possible. In its purest form this expresses Weber's notion of economic rationality (1930: 14-15): *"Remember, that time is money...credit is money...money is of the prolific, generating nature. Money can beget money, and its offspring can beget more, and so on."*

In contrast, from the point of view of the TSBS, entrepreneurship should be more inclusive, either through incorporation of the community/region into the business model, and/or personal involvement in community affairs. Socially responsible entrepreneurs take these steps because these entrepreneurs are aware that their actions impact others including: customers, employees, communities, business partners, suppliers, nonprofit organizational groups, and society as a whole. An example of a more socially responsible entrepreneurial model in tourism is a more inclusive entrepreneur, Mr. Warisorn Rakphan - the managing director of the Chumphon Cabana Resort in Thailand (see Case 1, Chapter 6). In the Netherlands, Efteling<sup>62</sup> is one of the concrete examples of corporate social responsibility showing how the entrepreneur engages oneself with society (see Case 2, Chapter 6). In doing so, these entrepreneurs can increase their capability through the inclusive value creation, making the right balance between the economic welfare and the ecological and social welfare that help them to sustain their businesses.

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<sup>62</sup> <http://www.efteling.co.uk/media/Pdf/Press-information-Efteling-April-2011-DEF.pdf>, retrieved 22 November 2012.

#### **4. Information system**

Porter's Diamond model induces a specific kind of monitoring procedure which focuses on economic data. It considers tourism only as an economic entity and thus all information in its monitoring procedure deals with data generated in the economic process itself, for instance, aggregated demand, aggregated supply, and other economic statistics that are officially collected by the government sector focusing on the relationship between the economic exchange and the production and distribution which contribute to economic efficiency. It is used to assess strengths and weaknesses of tourism development in such a way as to insure that a better position in the economic exchange action is reached internationally and domestically. The analytical results of this economic information system will contribute to the economic development policy which can facilitate the competitive advantage of the microeconomic system through the institutional structure (e.g. trade regulations, tax system, and research and development).

On the other hand, the TSBS leads to a more inclusive 3P information system, also looking at the ecological and social domains interacting with tourism. Its monitoring system concerns how tourism is involved with the ecological and social domains in its operation as well as the economic domain. Therefore, it requires data related to the interactions between economic, ecological, and social domains. In this case, the multidimensional evaluation takes into consideration not only the economic, environment (e.g. air, water, and noise pollution), and social costs (health problems) but also includes the positive and negative impacts resulting from the economic, ecological, and social interactions. It also provides opportunities to the regional population to participate in the developmental decision-making that yields regional values, beliefs, and preferences in the monitoring system through their desires for the future of their region.

#### **5. Policy making**

The analytical results of Porter's Diamond model lead to an economic development policy that encourages the productivity potential of the microeconomic system in order to achieve a higher competitive position globally. By looking at tourism from the economic development perspective, this economic policy promotes the growth of the tourism sector through making the institutional structure reliable and predictable, with an aim of upgrading the competitive advantage of the tourism sector. In other words, this involves an industrial policy. The strategic efforts to enhance productivity of the tourism sector might include the improvement of the quality of factor conditions toward more specialization and advancement, the encouragement of cluster development, and the development of regulations and incentives to enhance the competitiveness of tourism. For instance, the improvement of production factors might include: embedding in tourism/hospitality management in the educational system; a professional tourism training system (e.g. foreign language skills and hospitality skills); investments in research and tourism infrastructure (e.g.

transportation system) for the development of regional tourism; and the arrangement of financial services for tourism firms. An enhancement of the tourism cluster might be a co-research or co-marketing arrangement between the public sector (e.g. universities, knowledge institutions, data banks, TAT) and the tourism sector, aimed at exchanging information and knowledge that benefits the tourism sector. The reform of some regulations (e.g. immigration and custom procedure), setting standards (e.g. safety), establishing incentives (e.g. the hotel star-rating system and the reward system), and incorporating information transparency (e.g. the public procurement system) that can help gain entrepreneurs' confidence in the institutional context. These strategic endeavors help increase the competitive capability of the tourism sector to organize trips (e.g. travel and stay) to satisfy tourists, thus it is a primarily vertical policy, focused on improving the productivity of the tourist industry vis-à-vis the global tourism market.

On the other hand, the results of the analysis of the TSBS lead to a regional development policy focusing on the interactions between socioeconomic and ecological development. By looking at tourism from a regional development perspective, the focus might be on a network-based innovation policy aimed at balancing the functional logic of the space of flows with the more comprehensive logic of the space of place. The aim is for a tourism development which delivers the region a win-win opportunity, and in which external impacts of tourism are internalized in the business modelling process. This implies a more horizontal policy perspective with emphasis on the integration of multidimensional interests in the public administration and the private sector in order to strengthen regional tourism development. The reason is that the tourism system is like a spider web entwining and involving many sectors in the delivering of services to tourists. This requires many related departments to enhance their contributions in order to create shared value between the tourism system and regional ecological and social entities. Unlike the vertical policy that makes it easy for tourism to detach itself from the regional context by focusing only on economic development, horizontal policy integration goes beyond the hierarchy-based approach by enabling multiple agencies to make decisions collectively and work together to respond to social needs. The horizontal policy is another type of network-based innovation in which tourism stakeholders are all involved in the policymaking process. In so doing, the integrated development of the economic, ecological, and social conditions is encouraged, based on a political dimension where all interests are negotiated, always keeping in mind that the societal needs are different from region to region and can change over time. This leads to more effective policy making.

## **6. Competitive strategy**

According to Porter (1990), "a competitive advantage is an advantage over competitors gained by offering customers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices." This statement defines the concept

of a competitive strategy of tourism that is based upon price and value. The significant role that prices play represents the competitive position of tourism firms within the industry. Lower prices exemplify standard experience values while high prices manifest premium experience values. Although entrepreneurs have specific objectives in their market development, (e.g. market penetration, expansion or maintenance of market share, market dominance, and/or achievement of a predetermined target return on investment), when setting the price the entrepreneurs rest on costs that they can bear and cost-volume-profit analysis becomes the crucial decision making tool. The relationship between price and perceived value in a free market therefore leads to the success of products/services launched in the market and long-term competitive advantage.

From the perspective of the TSBS, Porter's price and value policy is a rather short-term vision. In addition, the TSBS regards Porter's value pricing strategies as an information failure because it belatedly informs the market. For example, high prices might signal the free market that something is wrong, particularly the scarcity of resources (e.g. fossil fuels). However, information (prices) provided in this way comes to the market too late and is too limited; the market only becomes aware of the energy crisis when the fossil fuels are almost depleted. At the same time, prices in the free market exclude external costs (e.g. pollution) which are not borne by entrepreneurs and their customers, but rather by society as a whole, causing an increase in the depletion of natural resources and damage to cultural resources while the costs are hidden in higher costs such as taxes and health care. To achieve a long-term competitive strategy in the free market, the TSBS encourages a shared value creation policy, where prices should include the cost of external effects on ecologic and social entities while sharing inclusive gains. Through this mechanism of inclusive pricing in the value creation policy, economic, ecologic, and social entities will be sustainable not only because of added economic, ecologic and social benefits to the destination region but also tourism products will be enriched by more authenticity and added value through the involvement of the regional ecologic and socio-cultural entities, resulting in more valued experiences that will persist across space and time, contributing to long-term social well-being of the tourists.

## **7. Touristic products**

Uniqueness, productivity, price, and delivery of touristic products are the base of competitive advantage in Porter's perspective. It is very important when launching touristic products for a firm's marketing strategy to communicate with customers about their unmet needs and wants in terms of uniqueness. The firm then offers products to satisfy them. In terms of productivity, Porter suggests that the upgraded factor conditions need to be more specialized and advanced to be able to compete globally (e.g. the global standard star-rating system in the hotel industry). Porter's Diamond model uses both high and low prices to establish a competitive strategy depending on the market position; low prices address a wide mass market and higher prices depend on creating an image of higher value relative to



competing products. When delivering touristic products to tourists, a firm needs to develop those products to meet and/or exceed tourist expectations by fulfilling their needs and wants functionally and emotionally. All of these strategies aim to maintain a firm's viability and allow them to attain a competitive position in the marketplace. Whether or not tourists are motivated to buy touristic products is dependent on the perceived price value in which tourists justify the cost based on the functional and emotional perception of the benefits of products. A firm will attract tourists with competitive prices and through an appropriate marketing arrangement, leading to the competitive economic advantage of a destination.

Touristic products from the perspective of the TSBS concern inclusive locally embedded, unique selling points. These should be touristic products that involve regional citizens (or socio-cultural resources) and ecology in a positive way that enables the internalization of the external effects of tourism and at the same time stimulates the multiplier effects that occur when the money spent in the region is circulated in the region rather than leaking out. These should be touristic products that help regional businesses remain viable, encourage inward investment so that jobs are created and local employment is generated, and conserve regional socio-cultural and ecological resources. The touristic products typified in terms of the TSBS should be evaluated with regard to a more inclusive standard and should favor locally embedded products that stimulate and maintain a balance between the development of the tourism sector and the improvement of ecological and socio-cultural conditions in the region. They should be touristic products in which both the tourism sector and tourists have to pay a fair price (that includes external costs, tourist taxes, etc.) for regional ecological and socio-cultural resources they experience during their holidays. In so doing, regional ecological and socio-cultural resources will last for a longer time because the costs of the previous externalities will be covered through fair wages to tourism staff and tourist taxes.

## **8. Educational system**

Education from the perspective of Porter's Diamond model is mainly focused on "mainstream" economic development, in this case, the extreme economic competition of regional tourism. It essentially relies on how to promote a sophisticated business environment that can create long-term microeconomic competitive advantage. The globalization process including advanced communication and transportation technologies and the introduction of innovative business transaction processes is the environment that shapes the ways tourism firms interact with other entities in order to expand their markets domestically and internationally. This is because its underlying concept is economic growth that is achieved by increasing the level of productivity which focuses on the utilization of resources. Education focuses on language training, computers, new marketing concepts, and development of new products for new markets. It thus deals with what is deemed an economically rational action "the allocation of scarce resources" through economic

exchange in the free market as described by Smelser & Swedberg (1996). In free market exchange, resource allocation in production is about the transformation of resources (e.g. materials, labor, and technology) into products and services, and in consumption it is about choices and decisions of customers to purchase products or services. Prices play a role in both circumstances (e.g. labor wages, technological costs, and product/service prices). A nation or region with a higher level of productivity is able to gain the upper hand in international trade and the assumption is that this will increase employment and thus the standard of living and social welfare of the citizens.

Education underlined by the TSBS emphasizes more inclusive development, looking at multidimensional interests. In this case, its focal point is the “3P” shared value creation approach; how the tourism sector integrates the economic development with the ecology, society, and culture in such a way that each dimension reinforced and adds value to the others. The TSBS bases its underlying concept on sustainable development notion that explicitly takes into account balanced development. The emphasis is placed on the growth and efficiency of the economic system, the improvement of the social system through social development projects, and the environment through investment in the ecological system to ensure its resilience and ultimately the quality of the social system. From the window of the TSBS, the excessive emphasis on economic development centered on profit maximization and customer satisfaction will result in untenable natural resources depletion, and in the long run undermine human well-being. This is because the drive to economic growth driving this model has a tendency to absorb a huge and steadily growing amount of natural resources. Puntasen (2004; 2009) and Sivaraksa (n.a.) discussed how the consumption notion “the more the better” has been deeply ingrained in the minds of customers, and shaped their behavior perhaps through global commercialization. The TSBS’s more inclusive development style – the “3P” shared value creation - therefore promotes long-term social well-being by encouraging humans to change their behavior and consider a long-term development strategy that insures the availability of natural resources through sustainable economic competitiveness and long-term quality of the environment and society and the emphasis is to educate the stakeholders on the big picture in order to secure widespread understanding of the big picture and ownership of the integrated process.

## **7.2 The transition of the developmental perspective**

Recently, Porter himself realized the importance of sustainable development thinking as a contemporary development concept. In 2006 he adjusted his original competitive advantage models by linking his competitive advantage strategy with society, emphasizing Corporate Social Responsibility (CSR) as a central essence. He proposed an idea to look at the relationship between firms and society as interdependency. This is because corporate economic success requires a good society where education, health care, living conditions,

and equal opportunity are important for a productive labor force. In the other way around, a society requires successful firms to create jobs, develop products and services, and pay taxes to improve the people's standards of living. Through this integration of business and society, Porter expanded his original competitive advantage frameworks (fusing the value chain approach and the Diamond model - see Chapter 3) to be the analytical tool for firms to map social opportunities. The value chain approach was used to be a framework to identify both positive and negative social and ecological consequences resulting from firms' operations; it is called "inside-out linkage." The Diamond model was used to analyze social influences on competitive advantage of firms (e.g. transportation infrastructure and law); it is called "outside-in linkage." In 2011 he postulated shared value creation as a new way to drive innovation and productivity growth in order to achieve economic competitiveness in a global economy. The concept evolved from his notion in 2006 concerning the interdependence of business and society. The shared value creation is about expanding the pool of economic and social value by enhancing firm competitiveness and at the same time improving socioeconomic condition of communities in which the firm runs business. Porter explained how firms can create shared value in three ways: by rethinking products and markets, re-evaluating productivity in the value chain, and developing local supportive industry clusters. Rethinking products and market concern ways to develop new markets and expand markets which simultaneously create societal benefits such as healthier or environmentally friendly products. Re-evaluating productivity in the value chain is a way to gain efficiency in firms' operations and CSR plays a role in this context. Developing local supportive industry clusters searches to improve productivity and innovation through the collaboration of capable local suppliers, knowledge institutions, governments, trade associations, etc. When firms have a "buy local" policy their supportive industries can increase income, hire more local people, pay better salaries, and increase the standard of living of local residents. Shared value creation is generated in communities. It can be indicated that the movement of Porter's developmental perspective not only takes into account social and natural conditions but also evolves from his business model that is now connected with communities by expanding the scope of focus from only the firm itself to customers and supportive organizations. We acknowledge that Porter (2006, 2011) has broadened his former view to include the social and ecologic dimensions into his model of economic competitive advantage and pays more attention to the demands of society than in the old model. The contribution of the new Porter model to the developmental perspective implies that national competitive advantage for both today and the future has something to do with multidimensional development. Porter's new Diamond model points to a long-term development strategy where a competitive advantage can be achieved if a nation/a contemporary industrial society is able to design and manage its organization in a much more sustainable way by shared value creation between firms and society. Table 7.2, presents the shift of Porter's model from a one dimensional to a multidimensional developmental perspective in comparison to the TSBS.

**Table 7.2 Transition of the developmental perspective**

Key elements	Porter's Diamond model (1990)	TSBS	The new Porter model (2011)
1. Strategic focus	Economic development	Balance development	Balance economic development
2. Time focus	Short-term	Long-term	Long-term
3. Stakeholder involvement	Entrepreneurs	All stakeholders	All stakeholders
4. Relation	From sector to region	From region to sector; and from sector to region	From sector to region; and from region to sector

Source: Author's analysis

With reference to the differences between Porter's Diamond model and the TSBS (Table 7.2), we could conclude that although the new Porter's model (2011) has moved toward a shared value approach, we argue that in the end, it still gives priority to economic development, along a sector-based perspective, reducing ecological and socio-cultural values to their (more inclusive) economic functionality, and it does not provide a practical procedure for shared value creation. In contrast, the TSBS places an emphasis on a balanced development with an area-based perspective and simultaneously suggests a concrete process to create shared values. Based upon our analytical results comparing these assessment tools, we would like to put forward a proposed new developmental perspective for Ubon Ratchathani and Thailand.

### **7.3 Towards a new approach for regional (tourism) development in Ubon Ratchathani and Thailand**

Perspectives on regional development are undergoing a dynamic transition, moving from a one dimensional towards multidimensional in which economic development is harmonized with environmental, social and cultural development(see also Pike 2006). Tourism is a clear example, demonstrating the need to integrate with other societal development because it is (as an economic sector) heavily dependent on the quality of regional ecological, cultural and social conditions, especially in Thailand, where tourism is regarded as an instrument for regional economic development. Thus, it should be developed in a manner that is as sustainable as possible to ensure long lasting economic competitiveness that will afford a win-win opportunity economically, socially, and ecologically to the region and nation. If managed properly, tourism can strengthen the efficiency and continuity of the economic system, the resilience and quality of the ecological system, and the well-being of the social system.

We conclude based on our analytical findings that Ubon Ratchathani tourism malfunctions as a driver for regional development because of cultural constraints. The entrepreneurial culture of reliance on state subsidized and a risk-avoiding attitude make it difficult to develop tourism to be competitive on both national and international scales. The governmental culture is bureaucratic and complicated with procedures that hinder the development of tourism in the region. There exists a hierarchical structure, with a strong divide between the central and local authorities, which hinders the vertical integration between the national development of tourism at the national and the regional/locale level. There is also a lack of an intermediary body with exclusive decision-making powers, and authority for tourism development at the regional level. The “functionalization” mode with strong sectorial policies hinders the (horizontal) integration of regional tourism with other sectors, although the Thai government has facilitated the shift from government to governance by arranging a so-called horizontal policy. Governance in Thailand still remains vertical. Encouraging “bottom up” initiatives does not work out well in the Thai context, because of the hierarchical nature of its culture and policy system. This has implications for the feasibility of network management. The possibilities for an interactive decision-making process and co-production of regional (tourism) development between public - public, private - private, and public - private sectors are limited. However, that is exactly what is needed to develop tourism, and certainly to deploy it as a main tool for regional development. Tourism has become part of a network on the interface of the global and the local-global nexus (Van der Duim, 2007), where the production and consumption of local and global tourism interact in complex ways and merge into a systematic whole that requires cooperation between the constituent parts, the involved networks. So there is a need to strengthen network management and the involvement of actors from different business sectors, governmental bodies and NGO's, for tourism to flourish and certainly for tourism to become a main driver for regional development.

There is still a long way to go, in the Ubon Ratchathani region, but perhaps lessons could be learned from The Netherlands. In The Netherlands there is a strong tradition with the processes of network management, based on co-production of values by stakeholder involvement (Boelens, Sanders and Hultsch, 2003; Mommaas and Janssen 2008; Boelens, 2010). Ways to build and frame these processes could perhaps be translated to the Ubon Ratchathani context, if certain prerequisites are taken into account.

The most important requirement is that the scope of regional development perspective in Ubon Ratchathani and Thailand as a whole should be broadened, by involving and mobilizing all kinds of entrepreneurs to jointly pinpoint new business opportunities based on the sustainable qualities of the region, and develop an agenda to seize these opportunities, where possible as a group, and attract new investments to strengthen them, and by doing so develop so-called new-markets. The main issue is, instead of leaving the government to lead the direction of regional development, other stakeholders should also be

involved, especially business actors, who have the “capacity to act” (Horlings, 2010). The new synergy will create new economic opportunities in the regional context since these stakeholders will interact as partners with a common interest, even if they are competitors. This proved to be a fruitful pathway in The Netherlands to stimulate sustainable regional “bottom up” initiatives, involving and linking local entrepreneurs, and other stakeholders, and generating innovations. Horlings (2010: 10) defined these processes in The Netherlands as “vital coalitions”: “*a form of active citizenship and self-organization in which citizens and/ or private or public actors take the initiative to act on behalf of a common concern or interest.*” Through these vital coalitions, a co-operative space can be created (e.g. mutual agenda setting, mutual resources, and mutual contribution) to grab new developmental opportunities (e.g. the development of new markets) (Mossberger & Stoker, 2001, Stone, 1993).

Through the stakeholder involvement, either formal or informal form of collaboration in the regional development process is encouraged in order to stimulate new innovative alliances between existing economic actors (e.g. the tourism sector) and new actors (e.g. agricultural sectors). The implication is that the more the stakeholders are involved, the more the business opportunities are opened, the more the employment is enhanced, the more the social well-being is increased, and the more the region is developed, because sustainable regional development is built upon the sustainable competitiveness of the sector. Table 7.3 provides our proposed new regional (tourism) development perspective.

**Table 7.3 Towards a new regional (tourism) development perspective**

<b>Paradigm</b>	<b>Old regional development perspective</b>	<b>New regional development perspective</b>
<i>Developmental direction</i>	Vertical oriented (tourism) development	Vertical and horizontal oriented (tourism) development
<i>Sector</i>	Mono-sector	Multi-sector
<i>Functions (tourism, nature, culture)</i>	Monofunctional, spatially divided	Multifunctional, spatially integrated
<i>Products</i>	Tourism mass production	New forms of value creation of local assets (valorization); regional niche products/services
<i>Market</i>	Global and domestic markets	Global and domestic markets
<i>Business relations</i>	Business to business	Business to guest (consumer), links to new actors
<i>Governance</i>	Central-local division	Central-local integration

Source: Adapted from Horlings, 2010: 90

To give a more concrete example of how the networking process is organized, we provide the case of Heuvelland (Case 3). In the context of Ubon Ratchathani, to make the organization of this network management works, synergies between the tourism sector and other value networks should be merged to develop innovative tourism products. The integration with other economic sectors such as the agri-manufacturing sector like Kaona Groups, the biggest food (poultry) processing plant in the Isan region, will open opportunities for tourism to create new attractions. Think about tourist experiences of chicken sausage production- from downstream (feeding mill and breeding mill) to upstream (slaughtering, chilling, and producing chicken meat and sausage). In the same manner, think about the tourist experience of the typical Ubon white pork sausage (Moo-Yor) produced by small scaled local food manufacturers. Another is the collaboration with the agricultural sector (e.g. orchards and rice farmers) to organize a “Farm 2 Kitchen” movement by/for small-scale farms that can further develop new regime for value creation such as the organic food festival. The integration with socio-cultural value networks such as Buddhist temples (e.g. the Buddhist forest temples and the Asoke communities), fish farming groups, and local handicraft weaving villages can provide tourists with the experiences of the simplified, peaceful lifestyles from the religious tourism and more primitive, subsistence way of living from the community-based tourism. All of these are potential niche markets that can be developed to penetrate new markets.

**Case 3: The Heuvelland project**

Located in the Province of South Limburg, The Netherlands, Heuvelland was a major touristic region for the Dutch because of its unique hilly landscape which is regarded as the distinctive scenery in The Netherlands. Together with the express train connection in the 19<sup>th</sup> century, tourism was one of the main economic activities of South Limburg – contributing to almost 20 percent of the gross regional product. However, since the 1990s the global pressures particularly the advent of low-cost airlines enabling people to take cheaper holidays elsewhere, Heuvelland has experienced a difficult time because both domestic and foreign tourism markets plummeted dramatically. At the same time, agriculture especially small-scale farms in Heuvelland faced a reduction of EU-government subsidies and the industrialization of food production that increased its advantage by lowering the costs per unit. These threats in both tourism and agricultural sectors that were induced by the economies of scale accelerated the degradation of ecological and cultural qualities. As a result, regional tourism started to gradually decline. Hotels that were unable to compete were sold. This ignited the fear that both sectors in Heuvelland would be unable to remain competitive if left to be developed individually. In order to revitalize this negative condition, in 2004 the “New Markets” approach was established as an alternative approach focusing on the economic future of the region where private

entrepreneurs initiated and identified the possibility of new markets on their own, instead of by the classic government-led orientation. The non-governmental regional development agency (LIOF) took the lead role in setting up the “Heerlijkheid Heuveland” project, together with the support from the provincial government, the knowledge institutions (e.g. the universities of Tilburg and Utrecht), and leisure experts (e.g. ZKA consultancy) to determine the future of tourism in Heuveland. The project was conducted by searching for the core values of the region in comparison to other regions using survey interviews and analysis of the existing data. This provided more room for entrepreneurs to identify new possibility for regional economic development. Regional data was summarized by pulling out the uniqueness of Heuveland including hilly roads, orchards, scenic farmlands, and valleys; therapist and wellness concentrations; high quality restaurants, and castles, mills, and monasteries. A look at the tourism sector’s investment structure made it clear that it was dominated by pure self-interest because while the tourism sector depended on the cultural heritage and the quality of the regional environment, it did not invest in the improvement of these regional values. Therefore, the horizontal strategy was needed to allow stakeholders (e.g. civil society and entrepreneurs) who have various interests to argue against their own interests. For instance, civil society is concerned with the maintenance of natural and cultural qualities, but private entrepreneurs are concerned with short-term profitability. After that, the overall analysis was done to explore new markets which combined market values and regional ecological and cultural values – shared value creation. Finally, five preliminary possible economic opportunities were chosen: *Healing Hills* (linking the infrastructure of abandoned convents and woods to new health and care possibilities); *Rich Tastes* (linking farms and orchards to regional food); *Lush Gardens* (linking the infrastructure of Castle Gardens with retail markets); *Linked Fields* (linking Catholic heritage and the small-scale landscape to possible multimedia use); and *Elementary Heritage* (linking the landscape of watermills and valleys to new energy). The outcome of this research was presented in a form of “opportunity maps”, with attractive images and references (other regions that have horizontal clusters of economic activities in terms of shared value creation) that helped entrepreneurs to visualize new economic opportunities and new potential markets. Next, bilateral talks were organized by LIOF and potential lead stakeholders (e.g. investors, project developers, tourism entrepreneurs, retailers, farmers, and other interest groups) were selected to attend the round table meeting, aimed at identifying potential new markets. The result was that three of five proposals had insufficient support (e.g. *Lush Gardens*, *Linked Fields*, *Elementary Heritage*) and two were expanded (e.g. *Healing Hills*, *Rich Tastes*). *Healing Hills* concerned recovery holidays – the transfer of surgery patients to recover in one of the hotels located in a beautiful landscape. In this way, it benefited several parties: the hospital, the hotel, the insurance company, and the patient and their partners. The hospital would benefit



from a reduced waiting list because hospital beds would be more available when surgery patients rehabilitated under the supervision of hospital nurses in the (3-5 star) hotel which had better environment than the hospital; the hotel could reap benefits especially during the off-season because these surgery patients could guarantee maximize its occupancy rate; the insurance company could expect that hotel beds were cheaper than hospital beds; the patient would recover quickly in an attractive environment and at the same time, the partner could take care of the patient closely because of the coalition packages (e.g. free for patient and partner in the 3-star packages). Entrepreneurs such as Orbis, a medical service centre, and the hotel group Château St. Gerlach signed a contract with a national insurance company for the healthcare packages, and led the role in developing this *Healing Hills* theme. The quality of landscape improved because this coalition of partner entrepreneurs was in agreement to use part of the extra profit to maintain the surrounding area benefiting everyone in the area. *Rich Tastes* focused on the regional agricultural product delivery in a form of daily fresh food in the shopping centre of Maastricht. This was aimed to preserve small-scale agricultural production units in the region on the one hand and to stimulate the entire value chain of agricultural products – from production units on one hand (agrarians played the role) to distribution units (retailers played the role) on the other hand. The Van Melik Food Group, a regional food firm, took the lead in running a fresh food market. The project was integrated with the Fine Food Fair tasting event in which star cooks made presentations. These two investment pilots resulted in boosts for other economic opportunities in which the involved companies could penetrate new markets such as “*Glorious Life*” (e.g. an integrated care community development – a collaboration between a customer project development, home-care services for the elderly, and cultural heritage) that was regarded as a new value collaboration.

## 7.4 Further research

The main attention of this research was to explore whether tourism could be a suitable development tool for the long-term development of the region. The comparative case study was presented through the application of Porter’s Diamond model (1990) and the TSBS to check the developmental perspectives of the Ubon Ratchathani region. Our study comes to the conclusion that presently, tourism is part of broad value networks, incorporating values from both global flow-based and regional place-based dynamics. Tourism can be sustainable if the tourism sector takes into consideration the dialectical balance between flow-based and place-based values. To overcome “short-term” visions of tourism, which only focus on the short term competitive advantage of tourism regions, future research might be about reinforcing the effectiveness of the role of reflexive monitoring systems for tourism assessment. This could eventually contribute to a “long-term” vision of tourism and regional

development. This implies that the reflexive monitoring system needs to incorporate the long-term requirements of the people in the region. Consideration should be given to organizing a meeting for regional stakeholder groups to define their own long-term requirements and determine the norms that could make the reflexive monitoring system even more effective since people in each region might have different needs, wants, and desires, pointing out that the indicator system in one place cannot be applied to other places because of the different requirements and situations.

Further, based on our fieldwork experiences, the unavailability of a related data system, especially regarding ecological and socio-cultural data, made it difficult to efficiently apply assessment tools. As was shown in Table 4.1 and 4.2 (Chapter 4), data left out of the monitoring system results in inefficiency and ineffectiveness in the decision-making supporting system in regional (tourism) development. The suggested research should be about the development of a related data system that would be very helpful for assessing the multidimensional values of the region, resulting in an applicable network management approach for new market opportunities that could be a valuable contribution to more sustainable development of the region.

Finally, the case of Heuvelland is but one example of practical ways to arrange tourism to be more responsible to society. There might be other cases in different places that provide tourists with more experiences of sustainable development programs for tourist destination development. In order to contribute to the development of a sustainable tourist destination, future research should be about the variety of sustainable tourism experiences which probably require different strategies to develop innovative new tourism markets in any specific regional setting.



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## Appendix 1      The evaluation procedure of the Telos method

An important element in the Telos method is the involvement of stakeholders. Stakeholders are needed to define the relevant stocks of regionally economic, ecological, and socio-cultural system to achieve optimized goals, formulate the long-term requirements (goals) and targets/norms of each stock, and choose the indicators through either a direct action - selecting the indicators by themselves or an indirect action - expressing their opinions as input at the indicator level.

- *Stocks*: Table 1 presents an example of stocks which are chosen on the basis of theoretical insights with the help of, for instance, desk research and workshops with experts and stakeholders.

**Table 1 Stocks**

<b>Socio-cultural (People)</b>	<b>Ecological (Planet)</b>	<b>Economic (Profit)</b>
Solidarity	Nature	Labor
Citizenship	Soil	Capital
Identity and diversity	Groundwater	Knowledge
Safety	Air	Raw and auxiliary materials
Living conditions	Surface water	Spatial location conditions
Health	Minerals	Economic structure
Education	Landscape	
Art and cultural heritage		

**Source:** Telos, De Duurzaamheidbalans van Brabant 2006



**Table 2 The requirements for each capital and stock for some regions in Noord-Brabant**

<b>Capital/Stock</b>	<b>Requirements</b>
<b>Ecological capital (Planet)</b>	
Nature	Area covered by linked nature reserves (e.g. soil, air, water, minerals, and landscape should not be damaged). Preservation of biodiversity
Soil	Clean (for humans and wildlife). Preservation of the productive quality (agriculture)
Air	Clean (for humans and wildlife). No adverse influence on the climate.
Surface water	There is sufficient surface water and it is clean (for humans and wildlife)
Groundwater	Clean (for humans and wildlife). No more extraction than can be naturally replenished.
Minerals	The extraction of non-renewable minerals is reduced
Landscape	Citizens find the landscape attractive. Nature and cultural landscapes are protected and strengthened.
<b>Social and cultural capital (People)</b>	
Solidarity	There is social cohesion. There is no poverty or exclusion
Citizenship	Citizens are involved in politics (both passively and actively) and have access to necessary information
Health	The population is and perceives itself to be physically and spiritually healthy. Good quality health care is accessible to everyone.
Education	Education meets the needs of society, is of high quality, and easily accessible to all
Living conditions	People are satisfied with their own home and living conditions. Public facilities and everyday necessities are accessible and within easy reach
Safety	Everyone feels safe in the region because the risk of becoming a victim of crime or accident is negligible.
Identity and diversity	Expressing one's identity is desirable and acceptable as long as it does not restrict other people's freedom to participate in society
Art and cultural heritage	There is a wide diversity of culture available and accessible to anyone who wishes to make use of it either actively or passively. The cultural heritage is protected and strengthened.

**Table 2** The requirements for each capital and stock for some regions in Noord-Brabant (continued)

Capital/Stock	Requirements
<b>Economic capital (Profit)</b>	
Labor	There is balance in the labor market (in both qualitative and quantitative terms). The workforce is well trained. Work is healthy
Capital (goods)	Companies make sufficient profit and sufficient investment
Knowledge	The innovative and creative capability of companies, organisations and people is constantly being strengthened. The knowledge institutions play an active, supportive role in this.
Spatial location conditions	The accessibility (via road, water, rail, air, and ICT) to and for companies, facilities and economic centres is good. There is sufficient space available for commercial enterprise and it is well managed.
Economic structure	The economic structure has a good mix of driving industries and service industries. They are constantly regenerated by the starting up of new enterprises (starter companies and enterprises newly locating to the area)
Raw and auxiliary materials	Investment by businesses is aimed at preventing emissions of harmful substances and reducing the use of non-renewable raw and auxiliary materials.

Source: De Duurzaamheidbalans van Brabant 2006

- *Requirements:* Table 2 provides an example of the qualitative long-term requirements (goals) resulting from the discussion process in the Province of Noord-Brabant. In the discussion process, both experts and stakeholders are asked such question as “*What should the contribution of each stock be for the advancement of sustainable development (social solidarity and resilience, economic efficiency, and ecological resilience, here and elsewhere, now and in the future)?*” (Knippenberg, *et al*, 2007). By doing so, the desirable future is shared. This is a subjective and normative step which is crucial in the Telos method (Hermans, *et al*, 2011). Then, discussion is required with experts in order to reconcile their opinions with those of the stakeholders. The discussion process could be done in the form of a workshop that could reach a consensus on the long-term sustainable development requirements, implying that requirements (and stocks) can be changed, depending on the context, place, time and scale, and stakeholders and experts participating (Knippenberg, *et al*, 2007).

**Table 3 Example of weighing (%) indicators when requirements are of equal importance**

			weighting in %
Stock 1	Requirement 1	Indicator 1	25.00
		Indicator 2	25.00
	Requirement 2	Indicator 3	16.67
		Indicator 4	16.67
		Indicator 5	16.67
			100.00

Source: Telos, De Duurzaamheidbalans van Brabant 2006

• *Indicators:* Knippenberg, *et al* (2007) provide an example of the indicators used for the requirement of the stock “labor” in Noord-Brabant as follows:

- Ratio between employment and resident labor force
- Use of the potential labor stock
- Labor market tension
- Educational match
- Initiation and ageing
- Number of jobs in information & communications technology (ICT) compared to the total number of jobs
- Number of highly educated people

After defining stocks, requirements, and indicators, determining the value of stocks and capital is required. To be able to compare the value of stocks and capitals in relation to those of other stocks and capitals, values have to be comparable in order to compare them and before conducting a comparison we need to index, weigh, and standardize them.

• *Indexing:* To index them, we need to calculate and value stocks and capital by means of counting and discounting. If the requirements are qualitative, stakeholders play a role in prioritizing stocks, requirements, and indicators, and stakeholders are also required to define the norms for indicators by giving the range of indicator scores (see Hermans, *et al*, 2011). With regard to the balance of the triple capitals, the value of all kinds of capital must be equally important and their sum comes from the sum of all of the stocks we value. Although the capital’s value is equally important, it is not necessary that all stocks equally contribute to the value of capital. The same is true for indicators; not all indicators are equally important in determining the condition of each stock. In other words, a weighting is required.

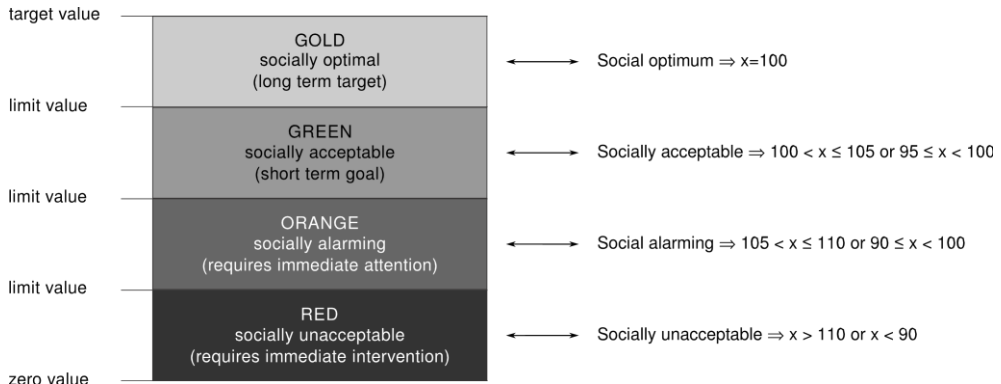
• *Weighting:* As requirements and indicators are not considered to be equally important, weights for each indicator are determined on the basis of not only a number of

requirements per stock but also an importance that is attributed to a particular requirement and is subsequently assigned to an indicator. Therefore, the accumulation of weighted scores of indicators in particular stock determines the quality of stock, and the accumulation of values of stocks in particular capital subsequently determines the value of each capital. As for the qualitative weight of a value, a prioritizing method is applied by engaging the stakeholders in this weighting process. Table 3 provides an example of weighing.

- *Standardizing*: This process is related to a normative procedure. In the first step of this process, the score of an indicator has to be designated by specifying the nature of an indicator and the type of data needed. Data can be either quantitative or qualitative. The qualitative data must be quantifiable to be measurable by, for instance, applying a rating scale method. Next, the measurement has to be in line with a measuring scale which is derived from the agreed-upon values. The measuring scale consists of sets of standards from zero value, limit value, and target value which must be as objective as possible. Practically, the designation of these standard sets can be done through the following procedure:

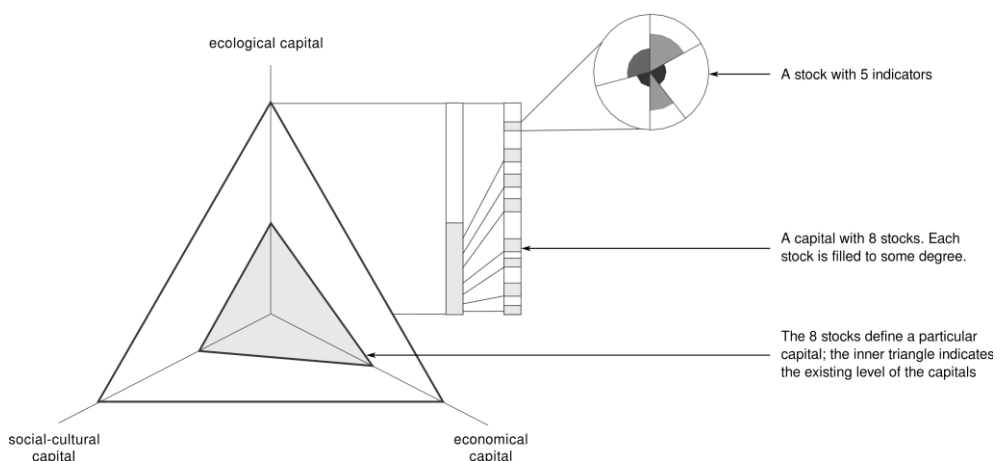
1. Searching the relevant scientific documentation;
2. If step 1 is unsuccessful or does not provide sufficient answers, it is necessary to look for standards available in official/policy documents;
3. If step 2 is not successful, it is necessary to attempt to reach social consensus among stakeholders on target values;
4. If none of the steps above clearly provide delimited target values, the indicator needs to be defined by comparing the findings with the requirements, comparing the findings with other regions, and comparing the findings over time.

The measuring scale is valued 1-100, from unacceptable to optimal. The scale is divided into four classes, represented in terms of colours (see Figure 1). For example, one of the stock “labor” indicators is the ratio of employment to resident labor force. The ratio points out whether a region “imports or exports” labor; if the result of ratio is equal, the labor market is in balance. This situation is optimal and is consistent with a value of 100.

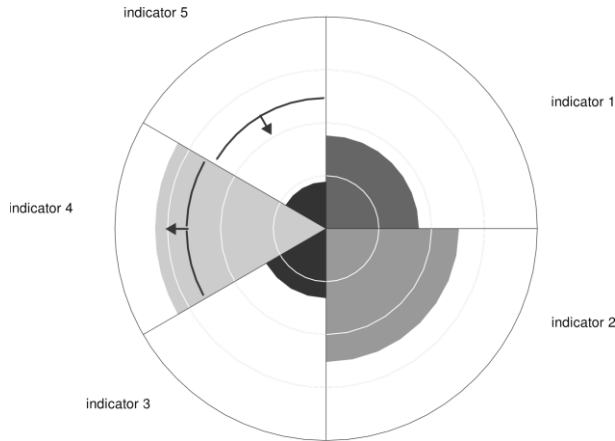


**Figure 1 Classification of the TSBS measuring scale**  
(source: De Duurzaamheidbalans van Brabant 2006)

An equilateral triangle is used to present the development of each capital or the “3P’s”: Profit, Planet, and People to present the economic capital, the ecological capital, and the socio-cultural capital respectively (Figure 2). There are two triangles: the outer and inner triangles. Each corner of the triangle represents one of the dimensions. The outer triangle is the ideal condition based on science and the judgment of experts and stakeholders. The inner one is the actual (or measured) situation which changes its size over time. The size of the inner triangle in relation to the corners of the outer triangle determines the sustainable development achieved; the closer the inner triangle is to the outer triangle, the closer we are to approaching a sustainable situation. Over time, the repeated measurements create a dynamic monitoring model.



**Figure 2 The connection between capitals, stocks, and indicators**  
(source: De Duurzaamheidbalans van Brabant 2006)



**Figure 3 The visualization of the direction of development by indicators**  
(source: De Duurzaamheidbalans van Brabant 2006)

The total score of a stock is shown in terms of a pie chart (Figure 3). The score of an indicator illustrates the extent to which a pie wedge is filled. The colour indicates the classification of scores. The vertex of the angle in a pie chart represents the weighting of indicators. An outward-facing arrow indicates improvement. While, conversely, an inward-facing arrow points to deterioration. In this way, the current situation of each indicator can be easily assessed, visualized, and compared to the desired situation. In visualizing a pie chart, we can interpret its meaning that if the outer ring is completely reached in the pie wedge, the optimal development is achieved.

- After determining the value of stocks and capital, the next step is determining the size of capitals and stocks. A total score in a particular capital is accumulated from all stocks, by adding together the weighted scores from all indicators. Each stock is given a score on a scale from 1-100 for sustainability. The results of stocks measured are presented in a triangle form as shown in Figure 2.



## Appendix 2 Interviewee name list

The lists below are given in chronological order of the interviews and do not have any correspondence to the respondents' numbers presented in this book. The numbers are included to indicate the number of interviewees.

**Table 1 Tour operators (Iv.)**

No.	Interviewee	Interview date
1	MD, B2P Explorer Co. Ltd. (Ubon branch)	June 3, 2010
2	MD, Bunchoke Holiday	June 3, 2010
3	MD, Sakda Travel World Co. Ltd.	July 19, 2010
4	MD, Khiri Voyages Co. Ltd.	July 24, 2010
5	MD, Sawasdee IndoChina Travel	July 31, 2010
6	MD, Thipthanaphat Travel	July 31, 2010
7	MD, On Travel and Service	August 2, 2010
8	MD, Ubon Jojo Tour	August 3, 2010
9	MD, Ubon Surachai Tour Co. Ltd.	August 10, 2010
10	Supervisor, Nevada Grand Travel Co. Ltd.	August 13, 2010
11	MD, Sermsup Travel	August 17, 2010



**Table 2 Accommodation providers (Iv)**

<b>No</b>	<b>Interviewee</b>	<b>Interview date</b>
1	GM, Kanchanapisek Art and Cultural Center, Ubon Ratchathani Rajbhat University	July 20, 2010
2	GM, The Ratchathani Hotel and Restaurant	July 23, 2010
3	GM, Sri Isan Hotel	July 28, 2010
4	GM, Khongjiam Marina Resort	July 29, 2010
5	GM, Areeya Resort Khongjiam Riverside	July 29, 2010
6	GM, Ban Suan Peerada Resort	July 29, 2010
7	GM, Ban Kiang Nam Resort	July 29, 2010
8	GM, Nevada Inn	July 30, 2010
9	GM, Kaeng Sapeau Riverside Resort	July 30, 2010
10	GM, Wang Nong Resort	August 2, 2010
11	GM, Ubon Hotel	August 4, 2010
12	GM, Tohsang Hotel and Resort	August 5, 2010
13	GM, Tohsang Khongjiam Hotel and Resort	August 5, 2010
14	GM, Kittrong Vill Resort & Hotel	August 5, 2010
15	GM, Sunee Grand Hotel	August 6, 2010
16	Resident manager, Ubonburi Hotel and Resort	August 6, 2010
17	Front office manager, Pathumrat Hotel	August 7, 2010
18	GM, Monthana (Bua) Hotel	August 7, 2010
19	GM, Monthira Resort	August 8, 2010
20	Food & Beverage manager Housekeeping manager Ubon International Hotel	August 13, 2010
21	GM, Laithong Hotel	August 16, 2010
22	GM, Changton Residence	August 18, 2010

**Table 3 Key tourism informants (Inf.)**

<b>No.</b>	<b>Tourism informants (experts)</b>	<b>Interview date</b>
1	Lecturer at Ubon Ratchathani University	June 3, 2010
2	Lecturer at Ubon Ratchathani Rajbhat University	June 15, 2010
3	Director of TAT, Ubon Ratchathani office branch	July 21, 2010
4	President of Ubon Ratchathani Chamber of Commerce	July 24, 2010
5	Consultant to the President of Ubon Ratchathani Chamber of Commerce Former president of UCC	July 24, 2010
6	Lecturer at Ubon Ratchathani Rajbhat University	July 30, 2010
7	Representative of the Thailand Research Fund	July 30, 2010
8	Head of international activities, Tourism activity division, TAT	July 30, 2010
9	Head of the Cultural Encouragement Division, Ubon Ratchathani Cultural office	August 2, 2010
10	Head of tourism and sport office, Ubon Ratchathani	August 3, 2010
11	Director of Ubon Ratchathani Natural Resources and Environment Office	August 4, 2010
12	Director of Environment region 12, Ubon Ratchathani	August 5, 2010
13	Vice Governor of Ubon Ratchathani	August 9, 2010
14	President of Ubon Ratchathani Industrial Council	August 9, 2010
15	Provincial Administrator of Ubon Ratchathani	August 10, 2010
16	President of the Thai Federation of Provincial Tourist Association President of the Ubon Ratchathani Tourism Business Association	August 13, 2010
17	Webmaster of a site "GuideUbon" - Candle Festival Committee (www.guideubon.com)	August 16, 2010
18	Governor of Ubon Ratchathani	August 18, 2010



## Appendix 3      Porter's Diamond model

**Table 1 The summary and analysis of main natural and built attractions in Ubon Ratchathani**

Attractions	Distinctive attributes	Strengths	Weaknesses	Type
1. Temples and archaeological sites				
Forest monasteries (8-75 km.)	- Peaceful and serene monasteries located in the forest	- Well known at the national level, especially for Thai Buddhists	- No access by public transportation - No tourism facilities available	YRA
Architectural Bud. temples	- Authentic locally architectural styles embedded in the temples	- Beautiful architectural sites - Numerous and dotting the city	- Some temples are not accessible by public transportation	YRA
Khmer temples (63- 70 km.)	- Ancient Khmer civilization shown on sites	- Few and small scaled Khmer temple sites compared to those in Cambodia	- No tourism facilities available - No access by public transportation	YRA
2. Natural sites				
Pha Taem National park (95 km.)	- A pre-historic cliff painting about a story of inhabitants' ancient lifestyle - 4,000-year old exotic natural rock formations - Scenic side of Laos and the Mekong River; picturesque is seen from the bird eye view - The first sunrise spot that can be viewed before anywhere else in Thailand - Full moon liked waterfall "Saeng Chan"	- Well known at national level - Availability of food /beverage and souvenir shops - Availability of tourist information center - The waterfall is promoted as "Unseen Thailand"-TV media	- No creative tourist activity - Few shade trees - No access by public transportation - Few accommodations available.	YRA

**Table 1 The summary and analysis of main natural and built attractions in Ubon Ratchathani (continued)**

Attractions	Distinctive attributes	Strengths	Weaknesses	Type
2. Natural sites				
Kaeng Tana National park (85 km.)	<ul style="list-style-type: none"> <li>- Beautiful attributes of rapids, stone etched by rapids, and a shady and sandy beach at Dontana</li> <li>- Availability of traces of Khmer civilization (12th century B.E.) and water curtain “Raaksai”</li> </ul>	<ul style="list-style-type: none"> <li>- Well known at local level</li> <li>- A naturally formed isle across the Mun River</li> </ul>	<ul style="list-style-type: none"> <li>- No creative tourist activity</li> <li>- Few accommodation avail.</li> <li>- No access by public transportation</li> </ul>	SA
Phu Chong Na Yoi National Park (135 km.)	<ul style="list-style-type: none"> <li>- Good biodiversity; species available which include rare species of plants and animals.</li> <li>- The emerald green waterfall “Pak Taew” surrounded by a white sandy beach</li> </ul>	<ul style="list-style-type: none"> <li>- One of the wildest parks and healthiest forests in Thailand , the biggest, tallest, and the most beautiful waterfall in the Lower Isan region</li> </ul>	<ul style="list-style-type: none"> <li>- No creative tourist activity</li> <li>- Very few tourism facilities</li> <li>- No access by public transportation</li> <li>- Not well known</li> </ul>	SA
Yod Dome Wildlife Sanctuary (160 km.)	<ul style="list-style-type: none"> <li>- Good biodiversity</li> <li>- Beautiful attribute of cataracts</li> </ul>	<ul style="list-style-type: none"> <li>- Availability of biodiversity and wildlife that are nearly extinct</li> </ul>	<ul style="list-style-type: none"> <li>- No creative tourist activity</li> <li>- No tourism facility available</li> <li>- No access by public transportation</li> <li>- Not promoted by TAT</li> </ul>	SA
Kaeng Saphue Cataract (45 km.)	<ul style="list-style-type: none"> <li>- Stunning cataract and beautiful rapids in the Mun River</li> </ul>	<ul style="list-style-type: none"> <li>- Availability of remarkable local food (frog and fish cracklings), souvenir shops, and hotels nearby</li> <li>- Public transport available</li> </ul>	<ul style="list-style-type: none"> <li>- Waste management is needed</li> </ul>	SA
Sam Pan Bok (120 km.)	<ul style="list-style-type: none"> <li>- Remarkable Grand Canyon of Thailand</li> <li>- The solid rocky holes have been etched by rapids that have shaped different rocky textures</li> </ul>	<ul style="list-style-type: none"> <li>- Well known attraction among Thais via TV media</li> <li>- Rock formation/ sandy beach</li> </ul>	<ul style="list-style-type: none"> <li>- Limited tourism facilities</li> <li>- No systematic mgt.</li> <li>- No access by public transportation</li> </ul>	SA

**Table 1 The summary and analysis of main natural and built attractions in Ubon Ratchathani (continued)**

Attractions	Distinctive attributes	Strengths	Weaknesses	Type
<b>3. IndoChina gateway and Mekong River</b>				
Sirindhorn Dam (70 km.)	<ul style="list-style-type: none"> <li>- A multipurpose dam used to generate hydropower, reserve water, control flood, and serve as facilities of tourism and fishery for local people</li> <li>- Beautiful landscape suitable for relaxing</li> </ul>	<ul style="list-style-type: none"> <li>- The dam is named after HRH princess, the 3<sup>rd</sup> child of the king and queen</li> <li>- Availability of tourism facilities/public transport</li> </ul>	<ul style="list-style-type: none"> <li>- Temporary closed when the HRH princess spends her time at the dam</li> </ul>	YRA
Pak Mun Dam (75 km.)	<ul style="list-style-type: none"> <li>- A dam aimed to generate electric power and facilitate agriculture but it has adverse effects on fisheries of the Mun River</li> </ul>	<ul style="list-style-type: none"> <li>- Claimed as grief tourism because of the notorious effect of the dam construction</li> </ul>	<ul style="list-style-type: none"> <li>- No tourism facility available</li> <li>- No access by public transportation</li> </ul>	YRA
Two-colored river (75 km.)	<ul style="list-style-type: none"> <li>- Attractive contrasting colored currents in where the reddish-clay in the Mekong River and the light blue Mun River are mixed.</li> <li>- Picturesque view points of Mekong River and the Laos settlements can be seen</li> </ul>	<ul style="list-style-type: none"> <li>- Availability of tourism facilities/souvenir shops</li> <li>- Public transport available from Bangkok- Ubon- Khongjiam</li> </ul>	<ul style="list-style-type: none"> <li>- May not see contrasting color when there is heavy rain</li> </ul>	YRA
<b>4. Transborder tourism and Pakse (Laos)</b>				
Thailand-Laos linkage tourism	<ul style="list-style-type: none"> <li>- Cross over border Thailand – Laos</li> <li>- Duty free shops available in Laos</li> </ul>	<ul style="list-style-type: none"> <li>- Well known among visitors</li> <li>- Public transport available</li> <li>- Permanent custom office avail.</li> </ul>	<ul style="list-style-type: none"> <li>- No tourism information center</li> <li>- No shady area for visitors</li> </ul>	YRA
<b>5. Handicraft manufacturing villages</b>				
Handicraft village-Ban Pa Aow (15 km)	<ul style="list-style-type: none"> <li>- Original production of 200-year-old brassware by the lost wax process</li> <li>- Silk fabric weaving</li> </ul>	<ul style="list-style-type: none"> <li>- Well known for silk and brassware production at regional level</li> </ul>	<ul style="list-style-type: none"> <li>- No access by public transportation</li> <li>- No tourism facility available</li> </ul>	YRA

**Table 1 The summary and analysis of main natural and built attractions in Ubon Ratchathani (continued)**

Attractions	Distinctive attributes	Strengths	Weaknesses	Type
6. Cultural and festival events				
Candle festival event	- Traditional candle crafted and parade are demonstrated	- Well known at an international level and is promoted by TAT for the program “Thailand Grand Festival”. Parade and candle demonstration are organized in the city of Ubon Ratchathani	- Crowded with tourists - Insufficient accommodation and facilities for tourists during this festival	SA (2-4 days per year)

**Source:** Compiled and analyzed by author: YRA = Year-round attraction; SA = Seasonal attraction, (...km.) = distance from the Ubon city

**Table 2 Knowledge institutes of tourism/hospitality in Thailand**

Knowledge institutes	Number	Remarks
1. State universities	16	Bachelor degree – doctoral degree*
2. Private universities	14	Bachelor degree, doctoral degree**
3. Rajabhat universities	34	Bachelor degree
4. Rajamangala university of technology	8	Higher vocational – bachelor degree
5. Physical education institutes	9	Higher vocational – bachelor degree
6. Higher vocational colleges	19	Lower – higher vocational diploma
7. Technique college	9	Lower – higher vocational diploma
Total	109	

**Source:** [www.ttresearch.org](http://www.ttresearch.org), retrieved 23 July 2011

\* = National Institute of Development Administration, and \*\* = Assumption University

**Table 3 Transport infrastructure and tourism facilities of Ubon Ratchathani**

<b>Classification</b>	<b>Infrastructure and tourism facilities</b>
<b>1. Transport</b>	Air/land transport
1.1 Air transport	3 airlines - 8 flights daily (Ubon-Bangkok-Ubon)
1.2 Railway transport	7 trips daily (Ubon-Bangkok-Ubon)
1.3 Road transport (bus)	
- Bangkok and Ubon	- 10 times daily (both fans and air conditioned coaches)
- Ubon and other regions	- 29 routes (both fans and air conditioned coaches)
- Ubon and Pakse (Laos)	- 4 times daily (air conditioned coaches)
- Ubon city and her districts	- 33 routes (small open air buses)
- Within Ubon city	- 14 routes (small open air buses or Song Taew)
1.4 Car rental	- 7 firms
<b>2. Accommodation</b>	> 3,461rooms available
- Hotel	- 25 establishments
- Resort	- $\geq$ 47 resorts
- Apartment	- $\geq$ 10 apartments
- Home stay	- 12 home stays
<b>3. Complementary offer</b>	
<b>3.1 Food and drinks</b>	- Restaurants (Isan, Thai, Western, Japanese, Chinese, Vietnamese, Italian) - 14 pubs, and bars - Others such as food stalls, take away, bakeries, and sweets
<b>3.2 Leisure</b>	
- Entertainment complexes	- 2 cinema complexes and 2 discotheques
- Shopping centers	- 6 department stores, 2 big superstores (e.g. Tesco), and 3 big wholesalers (e.g. Makro)
- Convenient stores	- 26 branches of convenient stores (open 24-hour s daily)
- Spas	- 11 outlets
- Sports	- 3 golf courses
<b>3.3 Energy</b>	- 481 gas stations
<b>3.4 Souvenir</b>	- > 10 handicraft-outlets (e.g. woven silk/cotton fabric, basketry, silver) - > 10 food-outlets (e.g. steamed pork wrapped in banana leaves, fish products)
<b>4. Service intermediary</b>	
- Retail travel agencies/ tour operators	32 firms



**Table 3 Transport infrastructure and tourism facilities of Ubon Ratchathani (continued)**

Classification	Infrastructure and tourism facilities
<b>5. Facilitator</b>	
- Health care services	Most are facilitated by the government sector (except for the payment and fund transfer services served by commercial banks)
- Safety and security services	
- Parcel services	
- Payment and fund transfer services	

Sources: Compiled by author, [www.ubonguide.org](http://www.ubonguide.org), Ubon Ratchathani transportation office

**Table 4 Interactions, interpersonal relationships, and communication of tourism firms in Ubon Ratchathani**

Type	Accommodation	Tour operating		
	Detail	Frequency	Detail	Frequency
<b>1. Contacted organizations / persons</b>	<b>- <i>Tour operators/ leaders</i></b>		<b>- <i>Hotels</i></b>	
	Not specified (when contacted)	22	Tohsang Khongjiam Hotel	4
	Sakda Travel World	2	Laithong Hotel	6
	Chanchai Tour	2	Sunee Grand Hotel	6
	Ubonsurachai Tour	1	Tohsang City Hotel	3
	Takerng Tour	1	Kittongview Hotel	2
	Got Chongmex Travel	1	Ubonburi Resort Hotel	2
	Indochina Travel	1	Ubon International Hotel	2
	TUI (international)	1	Nevada Inn	1
	Thanvadee Thai Travel	1	Pathumrat Hotel	1
	Chantahburi	1	Regent Palace Hotel	1
	Tri Isan (Srisaket)	1	Tokyo Hotel	1
	Far East (BKK)	1	Jumpasak Palace Hotel (Laos)	2
	Rungroj (BKK)	1	Arawan Riverside Hotel (Laos)	1
	Not specify (BKK)	2	Tadfan Resort (Laos)	1
			Lotus Pang Suankaew (CM)	1
			Rayong Hotel (Rayong)	1

Table 4 Interactions, interpersonal relationships, and communication of tourism firms in Ubon Ratchathani (continued)

Type	Accommodation		Tour operating	
	Detail	Frequency	Detail	Frequency
1. Contacted organizations / persons	<b>- Retailers</b>		<b>- Coach rentals</b>	
	Small retailers in the area	8	Sakda Travel World	1
	Tesco	4	Homkai	1
	Big C	3	Sri Uthai	1
	Not specified	3	Detphumee	1
	OTOP group	2	Chanapai	1
			Not specified	1
	<b>- Wholesalers</b>		<b>- Wholesalers</b>	
	Not specified (upon stock)	13	Makro	2
	Makro	11	<b>- Airlines</b>	
	Yongsanguen	4	Nok Air	1
			Thai Airways International	1
			Air Asia	1
			Laos Airlines	1
	<b>- Government sector</b>	9	<b>- Restaurants</b>	
	<b>- Sales persons</b>	3	Samchai Kai Yang (Isan cuisine)	5
	<b>- Car rental</b>	1	IndoChina (Vietnamese food)	3
			Rim Khong (Isan food)	2
			Kieng Din (Thai food)	1
			Araya raft (Isan food)	1
			Restaurant in each area	1
	<b>- Not specified</b>	6	<b>- Not specify</b> (upon customers' requests)	12

**Table 4 Interactions, interpersonal relationships, and communication of tourism firms in Ubon Ratchathani (continued)**

Type	Accommodation		Tour operating	
	Detail	Frequency	Detail	Frequency
<b>2. Frequency of contact</b>	4-8 times a week (for stock)	3	Every day	1
	5-6 times a month (for stock)	2	5-10 times a month	1
	3-4 times a month (for stock)	17	5-6 times a month	3
	2-3 times a month (for stock)	6	4-5 times a month	3
	1 time a month (for stock)	2	3-4 times a month	3
	2 month once (for stock)	1	2-3 times a month	4
	Not specify (upon the amenities stock)	16	Not specify (upon the trip arrangement)	8
	Not specify (upon the contact of tour operating firms/persons)	9		
	Not specified	4		
<b>3. Types of contact</b>	Business information	53	Business information	22
	Friendship-based contact	7	Not specify	1
<b>Total</b>		<b>60</b>		<b>23</b>

Source: Survey results

**Table 5 Tourism value chain and the role of tourism entrepreneurs in Ubon Ratchathani**

<b>Organization</b>	<b>Role in the organization of entrepreneurs in Ubon Ratchathani</b>	<b>Affiliation in Ubon Ratchathani</b>
1. Tourism Council of Thailand (TCT)	1. Vice president (Mrs. Sirirat Denvorapongsasuk)	1. Ubonburi Resort Hotel.
	2. Committee (Mr. Sakda Piriyaakitphiboon)	2. Sakda Travel World Co
2. Thai Hotel Association (THA)	1. President of the chapter lower northeast (Mrs. Sirirat Denvorapongsasuk)	1. Ubonburi Resort Hotel
	2. Member (Mr. Piya Laiwisetkul)	2. Laithong Hotel
3. Thai Federation of Provincial Tourist Association (TFPTA)	1. President (Mr. Sakda Piriyaakitphiboon)	1. Sakda Travel World Co.
	2. Vice president (Mrs. Sirirat Denvorapongsasuk)	2. Ubonburi Resort Hotel
4. Isan Hotel Association (IHA)	1.Registration (Mr. Piya Laiwisetkul)	1. Laithong Hotel
	2.Member (Mr. Phet Tohsang)	2. Tohsang Group Hotel
	3. Member (Mr.Thanawat Pattharathanasert)	3. Regent Palace Hotel
5. Ubon Ratchathani Tourism Business Association (UBTBA)	1. President (Mr. Sakda Piriyaakitphiboon)	1. Sakda Travel World Co.
	2. Committee (Mrs. Sirirat Denvorapongsasuk)	2. Ubonburi Resort Hotel
6. Ubon Ratchathani Chamber of Commerce (UCC)	1. Vice president (Mrs. Sirirat Denvorapongsasuk)	1. Ubonburi Resort Hotel
	2. Committee (Mr. Piya Laiwisetkul)	2. Laithong Hotel
	3. Committee (Mr. Phet Tohsang)	3. Tohsang Group Hotel
	4. Committee (Mr.Rathanan Pattharathanasert)	4. Bua Boutique Hotel
	5. Committee (Mrs.Sirikanya Piriyaakitphiboon)	5. Ubonsurachai Tour Co.
	6. President consultant (Mr.Somchai Suraphat)	6. Ubon Takeng Tour Co.
The Association of Thai Travel Agents (ATTA)	1. Member (Mrs.Sirikanya Piriyaakitphiboon)	1. Ubonsurachai Tour Co.
The Association of Domestic Travel (ADT)	1. Member (Mrs.Sirikanya Piriyaakitphiboon)	1. Ubonsurachai Tour Co.
	2. Member (Mr. Piya Laiwisetkul)	2. Laithong Hotel
Thai Travel Agent Association (TTAA)	1. Member (Mrs.Sirikanya Piriyaakitphiboon)	1. Ubonsurachai Tour Co.

Source: A result of in-depth interview

**Table 6 The tourist industry structure of Ubon Ratchathani**

Items	Accommodation	Tour operator
1. Types of firms	Resorts (50%) Hotels (43%) Apartments/mansions (7%)	Outbound tour operating (74%) Inbound tour operating (26%)
2. Types of ownership	Sole proprietorships (72%) Companies (18%) Partnerships (7%) State-own (3%)	Sole proprietorship (48%) Company (26%) Partnership (26%)
3. Residency of the firm's founder	Ubon (90%) Bangkok (7%) Other (3%)	Ubon (83%) Other (7%)
4. Relationship of the founder and the current managers	Relatives are managers (50%) Founders are managers (43%) Professionals are managers (5%) Friends are managers (2%)	Founders are the managers (83%) Relatives are the managers (17%)
5. Educational background of tourism entrepreneurs/current managers*	Hotelier: MBA, BA in management, accounting, public administration, econ Resort entrep.: Higher vocational education/secondary school	3 tour operating entrep.: BA in tourism
6. Number of employees in the firm	Minimum = 0 Maximum = 260 Median = 8.5 Mode = 6	Minimum = 0 Maximum = 45 Median = 5 Mode = 6
7. Investment amount	Minimum = 1 million baht Maximum = 1,000 million baht Median = 12.5 million baht Mode = 9 and 30 million baht	Minimum = 0.2 million baht Maximum = 50 million baht Median = 5 million baht Mode = 9 million baht

**Table 6 The tourist industry structure of Ubon Ratchathani (continued)**

Items	Accommodation	Tour operator
8. Attributes	3,112 rooms availability 13 accommodations providing temporary room rates Number of rooms in the firm Minimum = 5 Maximum = 219 Median = 33 Mode = 30 Price rate per night (unit: baht) Minimum = 180 Maximum = 8,700 Median = 650 Mode = 300, 600, 1000	Destination oriented 1. Domestic routes: beach area (in the East)/ mountainous area (in the North) 2. International routes: Laos, Vietnam, Cambodia, China (Kunming), Europe, USA, Australia, New Zealand Average price rate per person for 2 nights 3 days (unit: baht) 1. Domestic routes: beach: 5,000 – 6,000, mountainous area = 8,000 up 2. International routes : Laos = 4,500 – 6,000, Vietnam = 8,000 – 15,000, Cambodia = 5,000 up, China (Kunming) = 9,800 up, Europe, USA, Australia and New Zealand = 70,000 up
9. Target customers (unit: firm)	Government employees = 25 Sales persons = 21 Walk-in tourists = 21 Tour groups = 6 Not specified = 4	Government employees = 15 General tourists = 10 Transferred tour groups = 3 Not specified = 1
10. Business operation	Content of relationship = business contact Frequency of communication = 2-4 times a month Strength of ties = weak	

Source: Survey, \* = the in-depth interview result

**Table 7 The competition structure and firm strategy**

<b>Items</b>	<b>Accommodation</b>	<b>Tour operator</b>
11. Competition situation	High competition Reasons: Increasing number of accommodations Apartments/mansions offer cheaper price rate	High competition Reasons: Problem of illegal tour operators such as car/bus rentals Intense implementation of price cutting strategy
12. The strategy implemented	No strategy = 13 Improve services = 12 Reduce room rates = 8 Discount room rates = 6 Not specified = 4 Position as the low budget hotel = 3 Location oriented = 3 Landscape oriented = 3	Service oriented = 13 Word of mouth = 4 Focus group = 2 Cost cutting = 2 Pricing strategy = 2
13. Number of firms** **Exclude guesthouses in the national parks and the military area	70 firms and 2,289 rooms available (information from TAT) 75 firms and > 3,112 rooms available (information from survey*)  Remark*= closed down 2 firms, started up 7 firms	35 firms (information from TAT) 32 firms (information from survey*)  Remark*= closed down 10 firms, started up 7 firms

Source: Survey

## **Appendix 4      The TSBS model**

Appendix 4 starts with the table on the next page.



Table 1 Economic capital: Evaluation of indicators in economic capital

Stock	Indicator	Accommodations (N = 60)				Tour operators (N = 23)					
		High*	Mod*	Low*	Very low*	Eval-ua-tion	High*	Mod*	Low*	Very low*	Eval-uation
		n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)
1. Capital goods	1.1 The level of (re)investment by the tourism sector in the local economy	-	-	-	-	Low	-	-	-	-	Very low
	1.1.1 Support of local economic cycle	0 (0.0)	0 (0.0)	13 (31)	29 (69)	Low	0 (0.0)	0 (0.0)	0 (0.0)	23 (100)	Very low
	1.1.2 Types of business expansion	0 (0.0)	0 (0.0)	1 (2)	47 (98)	Very low	0 (0.0)	0 (0.0)	1 (5)	18 (95)	Very low
	1.1.3 Financial structure of investment	Borrow 16 (26.7)		Do not borrow 24 (40)		Low	Borrow 5 (21.7)		Do not borrow 13 (57)		Very low
	1.2 The level of business cooperation for new investment	-	-	-	-	Very low	-	-	-	-	Very low
2. Labor	Content of relationship	Info. exchange 7 (11.7)		Buy goods 53 (88.3)		Very low	0 (0.0)		Buy goods 22 (100)		Very low
	Frequency of contact	> 4 times/month 5 (5.6)		< 4 times/month 26 (94.4)		Very low	> 4 times/month 7 (46.7)		< 4 times/month 8 (53.3)		Low
	2.1 The access to labor market for different labor groups	-	-	-	-	Low	-	-	-	-	Low
	2.1.1 Number of men and women working in the tourism sector	Male: Female (41 : 59)		Male: Female (67 : 34)		High	Male: Female (67 : 34)		Male: Female (67 : 34)		Mod.
	2.1.2 Number of the old (+55 yrs.) working in tourism	0 (0.0)		0 (0.0)		Very low	0 (0.0)		0 (0.0)		Very low

Table 1 Economic capital: Evaluation of indicators in economic capital (continued)

Stock	Indicator	Accommodations (N = 60)				Tour operators (N = 23)					
		High*	Mod*	Low*	Very low*	Eval-ua-tion	High*	Mod*	Low*	Very low*	Eval-ua-tion
		n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)
2. Labor	2.1.3 Number of disabled workers working in tourism		3 (0.2)			Very low		0 (0.0)			Very low
	2.2 The overall function of the touristic labor market in the region	-	-	-	-	Low	-	-	-	-	Low
	2.2.1 Labor force in each sector the regional labor market	Labor in tourism sector is 4.5%									
	2.2.2 Number of workers born in Ubon Ratchathani		1,422 (89.6)			High		180 (86.9)			High
	2.2.3 Number of workers from the neighboring countries** (inverted)		5 (0.3)			Low		8 (4)			High
	2.2.4 Health conditions of labor	Insured 1,455 (91.7)	Uninsured 131 (8.3)	Mod.	Insured 180 (86.9)	Uninsured 27 (13.1)					Low
	2.2.5 Difficulty to fulfill tourism vacancy for specific position	No difficulty (labor supply > labor demand)									
3. Know-ledge	3.1 The quality of the tourism labor force	-	-	-	-	Very low	-	-	-	-	Low
	3.1.1 Educational level of tourism labor	Low educated: Highly educated (94.3:5.6)	Low educated: Highly educated (77.7: 22.3)	Very low	Low educated: Highly educated (77.7: 22.3)	Low					Low
	3.2 The level of knowledge and skill development	-	-	-	-	Low	-	-	-	-	Low
	3.2.1 Number of tourism firms promoting further study for employees		7 (11.7)			Low		0 (0.0)			Very low

Table 1 Economic capital: Evaluation of indicators in economic capital (continued)

Stock	Indicator	Accommodations (N = 60)					Tour operators (N = 23)				
		High*	Mod*	Low*	Very low*	Eval-uation	High*	Mod*	Low*	Very low*	Eval-uation
		n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)
3. Knowledge	3.2.2 Number of tourism firms providing training opportunities (external)	On the job training: External training (77.2: 3.5)					On the job training: External training (31.6: 15.8)				
	3.3 The attention to knowledge creation by tourism entrepreneurs	-	-	-	-	Very low	-	-	-	-	Very low
	3.3.1 Number of tourism firms investing in developing new products	3 (5)					0 (0.0)				
	3.3.2 The level of knowledge transfer between firms and knowledge institutes (via joint either research projects or training projects)	8 (13.3)					3 (13)				
4. Economic structure	4.1 GPP per capita	Lower than GPP per capita of the Northeast 9%									
	4.2 The tourism contribution to GPP in Ubon Rachathani	1.2% of GPP (Lower than average GPP per sector which is 6.6%)									
	4.3 Number of tourism start-up firms	7 (6.5)					7 (6.5)				
	4.4 Number of visitors	1.55 million visitors which is 1.87% lower than those of Thailand in average									
	4.5 Average expenditure per day of visitors	920 bht/person/day which is 2 times lower than that of Thailand in average									

Table 1 Economic capital: Evaluation of indicators in economic capital (continued)

Stock	Indicator	Accommodations (N = 60)				Tour operators (N = 23)					
		High*	Mod*	Low*	Very low*	Eval-ua-	tion	High*	Mod*	Low*	Very low*
		n (%)	n (%)	n (%)	n (%)	n (%)		n (%)	n (%)	n (%)	n (%)
5. Spatial location conditions	5.1 The public transport infrastructure and accommodation	-	-	-	-	Low		-	-	-	Very low
	5.1.1 Number of air passengers	381,162 (1.4% of that of Thailand in average)									
	5.1.2 Number of rail passengers	749,050 (1.6% of that of Thailand in average)									
	5.1.3 Number of fixed-route registered buses	2,159 routes (comparable to Thailand in average)									
	5.1.4 Number of accommodation rooms	3461 rooms (12.5 times lower than that of Thailand in average)									

Table 2 Economic capital: Norms of indicators in economic capital

Stock	Indicators	Unit	Year	Level			Reason: Reference
				Very low	Low	High	
1. Capital goods	1.1 The level of (re)investment by the tourism sector in the local economy	-	-	-	-	-	
	1.1.1 Support of local economic cycle	%	2010	<25	25-50	50-75	Buying products from small local retailer preferably supports local economy: Judge
	1.1.2 Types of business expansion	%	2010	<4	4-6	6-10	External expansion preferably create jobs for local population :Judge based on TELOS
	1.1.3 Financial structure of investment	%	2010	<25	25-50	50-75	Bank loan implies the aggressive investment: Judge
	1.2 The level of business cooperation for new investment	-	-	-	-	-	
2. Labor	1.2.1 Content of relationship	%	2010	<15	15-25	25-50	Preferable joining research/develop new products or exchange information: Judge
	1.2.2 Frequency of contact	%	2010	<25	25-50	50-75	The more frequent contact implies the more the possible business cooperation: Judge
	2.1 The access to labor market for different labor groups	-	-	-	-	-	
	2.1.1 Number of men and women working in the tourism sector	%	2010	80-100	70-90	60-70	The balance between men : women working should be 50: 50 which is SD: Judge
	2.1.2 Number of the old (+55 yrs.) working in tourism	%	2010	<2	2-4	4-6	Working opportunities for the aged: Judge based on Aged in Ubon = 14.3%

Table 2 Economic capital: Norms of indicators in economic capital (continued)

Stock	Indicators	Unit	Year	Level			Reason: Reference
				Very low	Low	Mode-rate High	
2. Labor	2.1.3 Number of disabled workers working in tourism	%	2010	<0.5	0.5-1	1-2	Working opportunities for the disabled: Judge based on Aged in Thailand = 2.85%
	2.2 The overall function of the touristic labor market in the region	-	-	-	-	-	-
	2.2.1 Proportion of labor force in each sector in labor market	%	2010	<1	1-3	3-6	Labor in each sector should be at least (100/15 sectors) = 6.6%; Judge
	2.2.2 Number of workers born in Ubon Ratchathani	%	2010	<30	30-60	60-80	Local labor employment is preferable: Judge
	2.2.3 Number of workers from the neighboring countries	%	2010	>1	1-0.5	0.5-0.1	Local labor employment is preferable: Judge based on non-Thais in Ubon = 0.1%
	2.2.4 Health conditions of labor	%	2010	<50	50-75	75-95	Labor should be provided with good health condition; Judge based on the social security law
	2.2.5 Difficulty to fulfill tourism vacancy for specific position	-	2010	-	-	-	Tourism labor supply = tourism labor demand is preferable SD; Judge (interview result compared to number of tourism/hospitality graduates in average per year)

Table 2 Economic capital: Norms of indicators in economic capital (continued)

Stock	Indicators	Unit	Year	Level			Reason: Reference
				Very low	Low	High	
3. Knowledge	3.1 The quality of tourism labor force	-	-	-	-	-	-
	3.1.1 Educational level of tourism labor	%	2010	90-100	80-90	70-80	Low educated labor: highly educated labor should be 50:50 which is SD: Judge
	3.2 The level of knowledge and skill development	-	-	-	-	-	-
	3.2.1 Number of tourism firms promoting further study for employees	%	2010	<3.5	3.5-15	15-26	The more further study support, the more the service quality improvement: Judge
	3.2.2 Number of tourism firms providing training opportunities	%	2010	<3.5	3.5-15	15-26	The more external training support, the more the service quality improvement: Judge
	3.3 The attention to knowledge creation by tourism entrepreneurs	-	-	-	-	-	-
	3.3.1 Number of tourism firms investing in developing new products	%	2010	<10	10-35	35-50	The high the number of firms developing new products implies the knowledge creation in the firm itself: Judge
	3.3.2 The level of knowledge transfer between firms and knowledge institutions	%	2010	<15	15-25	25-50	The high the number of firms cooperate with knowledge institutes implies the knowledge creation in the firm itself: Judge

Table2 Economic capital: Norms of indicators in economic capital (continued)

Stock	Indicators	Unit	Year	Level			Reason: Reference	
				Very low	Low	Mode- rate		High
4. Eco- nomic structure	4.1 GPP per capita	%	2010	<9	9-15	15-25	>25	GPP per capital of Ubon should be equal to that of the regional level; Judge based on GPP per capital of the Northeast = 42,968 (which is 9% higher than Ubon)
	4.2 The tourism contribution to GPP in Ubon Ratchathani	%	2010	<1	1-3	3-6	>6	GPP in each sector should be at least (100/15 sectors) = 6.6%; Judge
	4.3 Number of tourism start-up firms	%	2010	<4	4-6	6-10	>10	Start-up firms preferably create jobs for local population ;Judge based on TELOS
	4.4 Number of visitors	Pro- por- tion	2010	<0-0.5	0.5-1.2	1.2-1.8	>1.8	The more the visitors, the more the regional economic growth: Judge based on the proportion of number of visitors/number of residents, so that the figures at the regional level (nr. of Ubon residents=1.8 mil.) is comparable to those at the national level (nr. of Thai residents=63 mil). (2008 data year based)
	4.5 Average expenditure per day of visitors	Times	2010	>2	1-2	0-1	<0	The more the visitors spend, the more the regional economy expands: Judge based on 2008 data year based. Expenditure gap between regional level and national level should be reduced.



Table 2 Economic capital: Norms of indicators in economic capital (continued)

Stock	Indicators	Unit	Year	Level			Reason: Reference
				Very low	Low	Mode-rate High	
5. Spatial location conditions	5.1 The public transport infrastructure and accommodation	-	-	-	-	-	-
	5.1.1 Number of air passengers	%	2010	<1	1-3	3-5	The more the number of air passengers, the more the competitive region; Judge (2012 year-based data)
	5.1.2 Number of rail passengers	%	2010	<1	1-3	3-5	The more the number of rail passengers, the more the competitive region; Judge (2012 year-based data)
	5.1.3 Number of fixed-route registered buses	%	2010	>0.1	0.05-0.1	0-0.05	The more the number of routes for buses, the more the competitive region; Judge based on the proportion of number of fixed-route registered buses divided by number of inhabitants in Ubon Ratchathani (1.8 mil.) and Thailand (64 mil.) (2012 year-based data)
	5.1.4 Number of accommodation rooms	%	2010	<0	0-1.5	1.5-2.5	The more the number of accommodation rooms, the more the competitive region: Judge based on the proportion of number of accommodation rooms divided by number of visitors in Ubon Ratchathani (1.5 mil.) and Thailand (14 mil.) (2012 year-based data)

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Table 3 Ecological capital: Evaluation of indicators in ecological capital

Stock	Indicator	Accommodations (N = 60)					Tour operators (N = 23)				
		High*	Mod*	Low*	Very low*	Eval-uation	High*	Mod*	Low*	Very low*	Eval-uation
		n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)
1. Nature and biodiversity	1.1 The level of investment by tourism firms in natural development	0 (0.0)	1 (1.7)	14 (24.1)	43 (74.1)	Very low	0 (0.0)	8 (34.8)	8 (34.8)	7 (30.4)	Low
	1.2 The participation in natural conservation/ preservation groups	0 (0.0)	2 (3.5)	32 (56.1)	23 (40.4)	Very low	0 (0.0)	0 (0.0)	0 (0.0)	23 (100)	Very low
	1.3 The stewardship of nature in Ubon Ratchathani by tourism entrepreneurs (survey/interview***)	26 (44.1)	30 (50.8)	0 (0.0)	3 (5.1)	Mod.-high	0 (0.0)	14 (63.6)	0 (0.0)	8 (36.4)	Mod
2. Air and noise quality	2.1 The availability of environment-friendly products/ processes	0 (0.0)	12 (21.0)	43 (75.5)	2 (3.5)	Low	0 (0.0)	6 (27.3)	11 (50.0)	5 (22.7)	Low
	2.2 The emission of greenhouse gases	5 (8.5)	0 (0.0)	30 (50.8)	24 (40.7)	Very low	1 (4.3)	0 (0.0)	0 (0.0)	22 (95.7)	Very low
	2.3 The level of noise pollution protection	4 (7.1)	0 (0.0)	0 (0.0)	52 (92.9)	Very low	3 (15.0)	0 (0.0)	17 (85.0)	0 (0.0)	Low
3. Water	3.1 The existence of water saving strategies	7 (12.3)	39 (68.5)	8 (14.0)	3 (5.3)	Mod.	0 (0.0)	0 (0.0)	13 (65.0)	7 (35.0)	Low
	3.2 The provision of education on water saving for tourists	30 (50.8)	0 (0.0)	0 (0.0)	29 (49.2)	Mod.	0 (0.0)	0 (0.0)	0 (0.0)	23 (100)	Very low
	3.3 Water pollution management (survey/interview***)	0 (0.0)	37 (61.7)	0 (0.0)	23 (38.3)	Mod.	22 (95.7)	0 (0.0)	0 (0.0)	1 (4.3)	High

Table 3 Ecological capital: Evaluation of indicators in ecological capital (continued)

Stock	Indicator	Accommodations (N = 60)					Tour operators (N = 23)				
		High*		Low*		Eval- ua- tion	High*		Low*		Eval- ua- tion
		n (%)	n (%)	n (%)	n (%)		n (%)	n (%)	n (%)	n (%)	
4. (Non)-renewable materials and energy	4.1 The level of reduction in (non)-renewable materials	0 (0.0)	14 (25.4)	34 (61.8)	7 (12.7)	Low	0 (0.0)	2 (9.1)	0 (0.0)	20 (90.9)	Very low
	4.2 The level of energy saving	26 (45.6)	11 (19.3)	15 (16.3)	5 (8.8)	Highly mod.	0 (0.0)	0 (0.0)	2 (9.1)	20 (90.9)	Very low
	4.3 Waste management (survey/interview***)	0 (0.0)	19 (32.7)	28 (58.3)	11 (19.0)	Low	11.5 (50.0)	0 (0.0)	0 (0.0)	11.5 (50.0)	Low
5. Landscape	5.1 The level of investment by tourism firms in landscape quality**	43 (72.9)	0 (0.0)	0 (0.0)	16 (27.1)	Low	13 (56.5)	0 (0.0)	0 (0.0)	10 (43.5)	Low
	5.2 The cooperation level between tourism firms and the wider community to maintain landscape quality**	36.5 (63.9)	0 (0.0)	0 (0.0)	21 (36.4)	Low	17 (77.5)	0 (0.0)	0 (0.0)	5 (22.5)	Low

**Remark:** 1. \*\* = Conflict result of research methodology (interview and survey); interview\*\*\* = passive practices  
2. High\* = 80 %- 100 % of sustainability practices that have been done in the tourism sector  
Moderate\* = 50% - 80% of sustainability practices that have been done in the tourism sector  
Low\* = <50% of sustainability practices that have been done in the tourism sector  
Very low\* = No sustainability practices that have been done in the tourism sector

Table 4 Ecological capital: Norms of indicators in ecological capital

Stock	Indicator (method)	Unit	Year	Level			Value N=83 (%)				
				Very low	Low	Mode-rate	High	80%-100% of practice	50%-70% of practice	< 50% of practice	Do nothing *
1. Nature and biodiversity	1.1 The level of investment by tourism firms in natural development (survey)	%	2010	<50	50-70	71-90	>90	0 (0.0)	9 (11.1)	22 (27.2)	50 (61.7)
	1.2 The participation in natural conservation/ preservation groups (survey)	%	2010	<50	50-70	71-90	>90	0 (0.0)	2 (205)	32 (40.0)	46 (57.5)
	1.3 The stewardship of nature in Ubon Ratchathani by tourism entrepreneurs (survey)	%	2010	<50	50-70	71-90	>90	40 (49.4)	30 (37.0)	0(0.0)	11 (13.6)
2. Air and noise quality	2.1 The availability of environment-friendly products/ processes (survey)	%	2010	<50	50-70	71-90	>90	0 (0.0)	18 (22.8)	54 (68.4)	7 (8.9)
	2.2 The emission of greenhouse gases (survey)	%	2010	<50	50-70	71-90	>90	6 (7.3)	30 (36.6)	0 (0.0)	46 (56.1)
	2.3 The level of noise pollution protection (survey)	%	2010	<50	50-70	71-90	>90	7 (9.2)	0 (0.0)	17 (22.4)	52 (68.4)
3. Water	3.1 The existence of water saving strategies (survey)	%	2010	<50	50-70	71-90	>90	7 (9.1)	39 (50.6)	21 (27.3)	10 (13.0)
	3.2 The provision of education on water saving for tourists (survey)	%	2010	<50	50-70	71-90	>90	30 (36.6)	0 (0.0)	0 (0.0)	52 (63.4)
	3.3 Water pollution management (survey)	%	2010	<50	50-70	71-90	>90	59 (71.1)	0 (0.0)	0 (0.0)	24 (28.9)

Table 4 Ecological capital: Norms of indicators in ecological capital (continued)

Stock	Indicator (method)	Unit	Year	Level			Value N=83 (%)				
				Very low	Low	Mode-rate	High	80%-100% of practice	50%-70% of practice	< 50% of practice	Do nothing *
4. (Non)-renewable materials and energy	4.1 The level of reduction in (non)-renewable materials (survey)	%	2010	<50	50-70	71-90	>90	0 (0.0)	16 (20.8)	34 (61.8)	27 (11.7)
	4.2 The level of energy saving (survey)	%	2010	<50	50-70	71-90	>90	26 (32.9)	11 (13.9)	17 (21.5)	25 (31.6)
	4.3 Waste management	%	2010	<50	50-70	71-90	>90	0 (0.0)	28 (34.6)	42 (51.9)	11 (13.6)
5. Land-scape**	5.1 The level of investment by tourism firms in landscape quality (survey)	%	2010	<50	50-70	71-90	>90	0 (0.0)-	0 (0.0)-	56 (64.7)	25 (35.3)
	5.2 The cooperation level between tourism firms and the wider community to maintain landscape quality (survey)	%	2010	<50	50-70	71-90	>90	0 (0.0)-	0 (0.0)-	49 (70.7)	32 (29.3)

**Remark:** (\*\*) = Conflict result of the research methodology (interview and survey)

80 %– 100 % of sustainability practices that have been done of tourism sector = High level of sustainability practices:

50% – 80% of sustainability practices that have been done of tourism sector =Moderate level of sustainability practices

<50% of sustainability practices that have been done in tourism sector =Low level of sustainability practices,

\* No sustainability practices that have been done in tourism sector = Unsustainable practices at all

Table 5 Socio-cultural capital: Evaluation of indicators in socio-cultural capital

Stock	Indicator	Accommodations (N = 60)						Tour operators (N = 23)					
		High		Mode-rate		Low		Very low		Eval-uation		High	
		n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)
1. Economic and social participation	1.1 The (un) employment and poverty prevention	0 (0.0)	39 (68.4)	16 (26.7)	2 (3.5)	Mod.	1 (4.5)	10 (45.5)	9 (40.9)	2 (9.1)	Mod.	2 (9.1)	Mod.
	1.2 The involvement of tourism firms in society **Contradiction between survey and interview results**	0 (0.0)	4 (7.0)	41 (71.9)	12 (21.1)	Low	0 (0.0)	4 (20.0)	11 (55.0)	5 (25.0)	Low	5 (25.0)	Low
2. Health	2.1 The availability of health care provision in the tourism sector (survey/interview*)	0 (0.0)	0 (0.0)	39 (68.4)	18 (31.6)	Low	0 (0.0)	0 (0.0)	0 (0.0)	23 (100)	Very low	23 (100)	Very low
	2.2 The level of promotion of safe working condition	6 (10.3)	40 (69.0)	9 (15.5)	3 (5.2)	Mod.	0 (0.0)	3 (15.0)	16 (80.0)	1 (5.0)	Low	1 (5.0)	Low
	2.3 Health care system management in firms (interview)	-	-	-	-	Low	-	-	-	-	Low	-	Low
3. Education	3.1 The promotion of life- long learning for tourism employees	0 (0.0)	0 (0.0)	57 (100)	0 (0.0)	Low	0 (0.0)	0 (0.0)	13 (59.1)	9 (40.9)	Low	9 (40.9)	Low
	3.2 The number of firms providing apprenticeship for local community (interview)	1 firm	1 firm	-	-	Very low	-	-	-	-	Very low	-	Very low
4. Living condition	4.1 The development of living conditions (expert interview)	-	-	-	-	Mod.	-	-	-	-	Mod.	-	Mod.
	4.2 The perception of noise /smell/litter problems generated from tourism (expert interview)	-	-	-	-	Low	-	-	-	-	Low	-	Low

Table 5 Socio-cultural capital: Evaluation of indicators in socio-cultural capital (continued)

Stock	Indicator	Accommodations (N = 60)						Tour operators (N = 23)													
		High		Mode-rate		Low		Very low		Eval-uation		High		Mode-rate		Low		Very low		Eval-uation	
		n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)
5. Safety	5.1 The responsibility of the tourism sector to social safety (availability of accident prevention or punishment case for staffs who are part of violence, accident, crime, and other risks on social safety) (interview)	-	-	-	-	-	-	Low	-	-	-	-	-	-	-	-	-	-	-	High	
6. Art and cultural heritage	6.1 The level of active involvement of tourism entrepreneurs in art and cultural heritage preservation (survey)	25 (43.1)	0 (0.0)	14 (24.1)	19 (32.8)	19 (32.8)	12 (57.1)	Very low	0 (0.0)	7 (33.3)	2 (9.5)	Low									
	6.2 The level of maintenance cultural heritage of tourism firms (survey)	0 (0.0)	0 (0.0)	16 (27.6)	42 (72.4)	0 (0.0)	5 (23.8)	Very low	0 (0.0)	6 (28.6)	10 (47.6)	Very low									

**Remark:** 1. (\*\*) = Conflict result of research methodology (interview and survey); interview\* = passive practices

2. High\* = 80 %- 100 % of sustainability practices that have been done of tourism sector

Moderate\* = 50% - 80% of sustainability practices that have been done of tourism sector

Low\* = <50% of sustainability practices that have been done in tourism sector

Very low\* = No sustainability practices that have been done in tourism sector

3. Evaluation: Neu. = Neutral = approximately 50%;50% of activities conducted that could not definitely judge



Table 6 Socio-cultural capital: Norms of indicators in socio-cultural capital

Stock	Indicator (method)	Unit	Year	Level			Value N=83 (%)				
				Very low	Low	Mode- rate	High	80%- 100% of practice	50%- 70% of practice	< 50% of practice	Do nothing *
1. Economic and social participation	1.1 The (un) employment and poverty prevention (survey)	%	2010	<50	50-70	71-90	>90	1 (1.3)	49 (62.0)	25 (31.6)	4 (5.1)
	1.2 The involvement of tourism firms in society	%	2010	<50	50-70	71-90	>90	3 (3.9)	5 (6.6)	57 (75.0)	11 (14.5)
2. Health	2.1 The availability of health care provision in the tourism sector	%	2010	<50	50-70	71-90	>90	0 (0.0)	0 (0.0)	39 (48.8)	41 (51.3)
	2.2 The level of promotion of safe working condition (survey)	%	2010	<50	50-70	71-90	>90	6 (7.7)	43 (55.1)	25 (32.1)	4 (5.1)
3. Education	2.3 Health care system management in firms (interview)	%	2010	<50	50-70	71-90	>90	<50% of firms provide social security fund for employees-			
	3.1 The promotion of life- long learning for tourism employees (survey)	%	2010	<50	50-70	71-90	>90	0 (0.0)	0 (0.0)	70 (88.6)	9 (11.4)
	3.2 The number of firms providing apprenticeship for local community (interview)	%	2010	<50	50-70	71-90	>90	1 firm			
4. Living condition	4.1 The development of living conditions (expert interview)	%	2010	<50	50-70	71-90	>90	Sufficient carrying capacity			
	4.2 The noise/smell/litter problems generated from tourism (expert interview)	%	2010	<50	50-70	71-90	>90	Emergence of the litter problem			

Table 6 Socio-cultural capital: Norms of indicators in socio-cultural capital (continued)

Stock	Indicator (method)	Unit	Year	Level			Value N=83 (%)			
				Very low	Low	Mode- rate	High	80%- 100% of practice	50%- 70% of practice	< 50% of practice
5. Safety	5.1 The responsibility of the tourism sector to social safety (availability of accident prevention or punishment case for staffs who are part of violence, accident, crime, and other risks on social safety) (interview)	%	2010	<50	50-70	71-90	>90	Most firms concern about safety of tourists	50%- 70% of practice	< 50% of practice
										Do nothing *
6. Art and cultural heritage	6.1 The level of active involvement of tourism entrepreneurs in art and cultural heritage preservation (survey)	%	2010	<50	50-70	71-90	>90	37 (46.8)	0 (0.0)	21 (26.6)
										21 (26.6)
	6.2 The level of maintenance of cultural heritage of tourism firms (survey)	%	2010	<50	50-70	71-90	>90	0 (0.0)	5 (6.3)	22 (27.8)
										52 (65.8)

Remark:

(\*\*) = Conflict result of research methodology (interview and survey)

80 %- 100 % of sustainability practices that have been done of tourism sector = High level of sustainability practices

50% - 80% of sustainability practices that have been done of tourism sector =Moderate of sustainability practices

<50% of sustainability practices that have been done in tourism sector =Low of sustainability practices

\*No sustainability practices that have been done in tourism sector = Unsustainable practices at all



# Summary

## **Tourism and the Region: A Comparison of Developmental Perspectives**

This research focuses a study of developmental perspectives on the application of tourism as a means of developing the least developed region in Thailand (the Isan region) in order to reduce poverty and labor migration to big cities, particularly Bangkok. Since tourism has been an important economic activity generating significant income/foreign exchange for Thailand for more than three decades, the Thai government has promoted tourism as one of the main points of the national agenda. For this reason, the Ministry of Tourism and Sport has been established to efficiently manage tourism. The Suvarnabhumi Airport has been constructed to be the air transport hub for the Southeast Asia Region. The East-West Corridor project has been initiated to stimulate logistics and travel activities by building roads connecting Myanmar-Thailand-Laos-Vietnam. The OTOP scheme has been developed and supported as well. Tourism development has been promoted in each region of Thailand. In this study we use Ubon Ratchathani, part of the Isan region, as our study area because of its perceived potential as a tourist destination and its development support by public administrators in the Ministry of Tourism and Sport.

However, much literature reports that tourism is in the middle of a dichotomous situation; it might contribute to positive economic impacts (especially in creating jobs) on the one hand, but might degrade regional natural and cultural resources on the other. Tourism hence has a high tendency to be a cannibalistic economic activity; after exploiting natural and cultural resources in one region, it possibly leaves that region to repeat the same activities in other regions without taking into account the resilience of those resources which could sustain its viability. Because of this, it might be regarded as a free-rider. In the case of Thailand, there exist reports on negative ecological and cultural impacts of tourism such as traffic congestion, pollution, environmental degradation, and social problems, specifically in Bangkok and beach areas. This points to the tension between tourism and regional natural and cultural values resulting from the interactions in the destination place. At the same time, it implies developmental perspectives on tourism development in Thailand concerning potential benefits and costs resulted from tourism, indicating the important role of reflexive

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monitoring systems which relate back to developmental perspectives. Thus, the aim of this study is to examine the workings of different developmental perspectives through a comparison of related monitoring systems by adopting Porter's Diamond model (1990) and the Telos Sustainability Balance Sheet (TSBS) as assessment tools to identify pros and cons of regional tourism development in Ubon Ratchathani. While Porter's Diamond model is one of the most influential assessment tools used to evaluate economic competitive advantage of regional tourism, the TSBS is a Dutch assessment tool used to examine economic, ecological, and socio-cultural positions of regional tourism. These assessment tools represent two different developmental perspectives: Porter's Diamond model as an economic development perspective and the TSBS as a more inclusive development (sustainable development) perspective. We have an assumption that the application of different assessment tools which are based on different developmental perspectives will provide different analytical results and different regional tourism development strategies. So that we formulate our main research question as follows:

*How can we assess the development state of Ubon Ratchathani tourism by applying Porter's Diamond model and the TSBS and thus give direction to the regional development of tourism for policy makers and tourism related parties?*

To comprehend both development assessment tools, we first explore what Porter's Diamond model (1990) and the TSBS are about and how we can apply them to assess tourism because neither has roots in tourism evaluation and then, we compare them theoretically (Chapter 3). Next, we operationalize their theoretical concepts to measurable indicators by taking into account the specific regional context of Ubon Ratchathani (Chapter 4). The information required is checked against the supply of information available at the regional level to ensure that data collection can be completed for each assessment tool. Multiple sources of data are required and a mixed methodology using both quantitative and qualitative methods is employed to strengthen our analytical results - the stage of development of tourism in Ubon Ratchathani. Questionnaire surveys of local tourism entrepreneurs and interviews with tourism experts and local tourism entrepreneurs are employed. During the fieldwork period (June – August, 2010) we faced difficulties in collecting materials because the available data were fragmented, outdated, and scattered. At the same time, data related to tourism were unavailable, especially ecological and social data, implying the need for an information management system for tourism assessment at the regional level. Data have been analyzed and presented in Chapters 5 and 6.

In Chapter 5 we have provided the answer to research question one:

*"How can tourism in Ubon Ratchathani be characterized in terms of Porter's Diamond model (1990)?"*

By using this Porter's Diamond model, we find low advancement of tourism because of the cultural constraints (the lack of entrepreneurial will), low quality of factor conditions (in particular the lack of a skilled tourism workforce), little coordination in the tourism value chain, low cooperation between the public and private sectors, and a low level of sophistication in demand conditions. To develop a stronger competitive advantage for tourism in Ubon Ratchathani in relation to other regions, implications based on Porter's Diamond model include five development strategies consisting of: 1) Improving the strategic position of firms by changing from a price-oriented strategy to high quality-oriented strategy and to achieve this, human and knowledge resources development is very important requiring firms to invest more in these kinds of resources. 2) Enhancing the public-private collaboration which generally points to a broad concept of cluster development strategies. 3) Developing new tourism markets which might be conducted through good collaboration in the tourism clusters. 4) Stimulating the competitive advantage of the tourism system through macroeconomic reform with governments at all levels paying more attention to strengthen regional tourism development. 5) Developing a more targeted, inclusive economic information system in order to understand the competitive position compared to other regions and to use the analytical results for strategic planning, strategic implementation, and strategic control.

In the same manner, Chapter 6 has presented the answer to research question two:

*"How can tourism in Ubon Ratchathani be characterized in terms of the Telos Sustainability Balance Sheet (TSBS)?"*

By applying the TSBS, the results of analysis indicate low quantity and quality in all aspects of the economic, ecological, and socio-cultural dimensions. The tourism sector in Ubon Ratchathani contributes to rather low economic, ecological, and socio-cultural development. In the economic dimension, we confirmed the results shown in the analysis of Porter's Diamond model. In the ecological dimension, local tourism entrepreneurs make very low investments in natural development as well as having relatively low awareness of environmental concerns and low initiative/participation in the improvement of the quality of the ecological system. In the socio-cultural dimension, tourism has a rather low contribution to social welfare improvement, low level of engaging itself with community, and a marginal investment in the conservation of cultural heritage. To enhance the quality of tourism in Ubon Ratchathani, five actions are proposed: 1) stimulating the new entrepreneurial model in which tourism entrepreneurs incorporate social and ecological concerns into their business model and by so doing, entrepreneurs will be able to create more value. For example, tourism entrepreneurs who are concerned with health safety will provide organic food menu for tourists and because of the low health risk, tourists will be willing to pay more for their health safety. 2) By embracing social and ecological dimensions into the business model, new competitive market opportunities at the global level can be

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developed because potential customers tend to prefer tourism products enriched with local ecological and socio-cultural values, strengthening authentic experiences for tourists. 3) Refocusing the educational system for the next generation through the “3P” shared value creation concept. 4) Stimulating the sustainable development of the tourism system through public sector mechanisms (e.g. tax payment for ones who impose on environmental degradation) and through the market system (e.g. eco-friendly products). 5) Developing an inclusive information system which requires more adequate “3P” result indicators, stakeholder involvement, and a strategy-based information feedback system.

Based on our analysis, state-of-the-art of tourism in Ubon Ratchathani is rated low. We argue from the competitive advantage perspective of Porter’s Diamond model that tourism is on the edge of an uncompetitive position, as might be typified by low price orientation, and argue from the sustainability perspective of the TSBS that tourism can be characterized by the absence of a basic understanding of sustainable development. These results have brought us to a conclusion that the tourism industry is unlikely to be a suitable development tool for regional development in Ubon Ratchathani because although it may have a strong point in job creation, it may suffer from many weak points that make the industry itself and the regional economy uncompetitive and unsustainable. These analytical results lead us to the conclusion that the tourism sector fails to refine its development strategies based on either the economic developmental perspective or the multidimensional development perspective.

In chapter 7, we answer research question three:

*“What are the implications of the different results of these assessment tools regarding the sustainable development of regional tourism in Ubon Ratchathani?”*

To answer this question, we compare analytical differences in developmental perspectives based on eight criteria: 1) the comparative context – Porter’s Diamond model is about the competitive advantage of the sector (or the sector-based perspective), but the TSBS is about the development of a region (or the place-based perspective); 2) the basic strategic perspective - Porter’s Diamond model looks at economic functionality, but the TSBS supports a balanced and integrated development by looking at both internal and external effects resulting from interactions between the economic and ecological/socio-cultural; 3) the model of entrepreneurship – while Porter’s Diamond model focuses on upholding the domination of economic welfare derived from hard-working entrepreneurs, the TSBS emphasizes the social responsibility of entrepreneurs who take into consideration the importance of stakeholders; 4) the information system – the focus of Porter’s Diamond model is on economic data whereas the TSBS looks at more inclusive “3P” data consisting of economic, ecological, and socio-cultural factors; 5) the policy-making – implications of Porter’s Diamond model are centered on economic development policy which is rather vertical policy while those of the TSBS are on regional development which is more

horizontal policy; 6) the competitive strategy – the focal point of Porter’s Diamond model is market development in which prices and economic costs play a role to gain competitive advantage, but the TSBS is more balanced shared value creation in which prices must include all costs of economic, ecological, and social; 7) the touristic product – in Porter’s Diamond model firms need to set prices that correspond to market positions of the touristic product but in the TSBS firms need to internalize the external costs of the ecological and socio-cultural effects of tourism when setting prices; and 8) the educational system – the basis of Porter’s Diamond model is a “mainstream” economic development concept, but that of the TSBS is the “3P” shared value creation approach. Taken together, the principal difference between both developmental perspectives, based on their underlying visions, is that Porter’s Diamond model emphasizes one dimensional (economic) development, whereas the TSBS stresses multidimensional (economic, ecological, and socio-cultural) development.

The onset of capitalism gave rise to a developmental concept which has evolved from mono-dimensional development to multidimensional development that considers conditions of equity, futurity, and politics (Shapley, 2000). This unavoidably challenges the macroeconomic development planners and the microeconomic sector to respond to it. Porter seems to acknowledge this evolutionary developmental perspective and has adjusted his original Diamond model (1990) by embracing more concern with society and attention is presumably given to CSR, ecological modernization, and shared value creation (Porter, 2006; 2011). This new Porter’s model clearly points out that economic competitiveness has to deal with the much more multidimensional value creation, shared ecological, social and economic value. However, although the new Porter model (2011) incorporates shared value creation by taking social and ecological entities into the business model, its attention is rarely given to the area-based development as such but rather only to sector-based development. Besides, we believe that the economic oriented thinking still remains in terms of this shared value creation and dominates the other entities, implying unbalanced development, rather than a balance of economics, ecology, and social conditions.

The economic development to the multidimensional development perspective presented above leads us to back to our starting point: whether tourism is an appropriate engine for regional development. Now the answer is evident that tourism is not a suitable mechanism for the development of Ubon Ratchathani as a result of cultural constraints. In the private sector, cultural constraints stems from the dependency on state subsidization and the personal risk-avoiding attitude. In the public sector, cultural constraints come from bureaucratic and hierarchical structure. This makes it difficult to develop the competitiveness and sustainability of tourism in Ubon Ratchathani because a strong “functionalization” or “vertical” practice modes remains. As a consequence, the lack of an intermediary body that has both authority and power to make decisions and manage regional tourism at both regional and national level is obvious, indicating that horizontal policies and



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hence a shift from government to governance are not seen. To lift the development of regional tourism in Ubon Ratchathani, we argue that the regional development perspective in Ubon Ratchathani and Thailand should be reorganized by broadening the scope of governance to allow regional stakeholders to initiate their own new (tourism) markets. The traditionally hierarchical government-led development as presently practiced might restrict innovative business opportunities, if horizontal strategies are rarely implemented. The 'bottom up' stakeholder involvement implies a need for network management to achieve the groundbreaking innovations for the sustainable development of regional tourism since it will bring new investments in the region through a bottom up initiative. In this case, Ubon Ratchathani and Thailand should learn from the development process namely "vital coalitions" from the Netherlands where stakeholders are encouraged to have "capability to act", leading to new market opportunities as presented in the Heuvelland case.

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Nara Huttasin  
Tilburg, Summer 2013



## About the author

Nara Huttasin was born in the northeastern Thailand (the province of Khon Kaen), but was legally issued a birth certificate in Kalasin because her mother was a teacher over there. She moved to Chiang Mai in northern Thailand when she was young and there she started her study from the elementary through university. Nara earned a bachelor degree in business administration and continued on a master's degree (MBA) at Chiang Mai University before starting her working life at Maejo University and later on becoming a lecturer at Ubon Ratchathani University as she discovered her love of traveling in order to experience the authenticity of each city. Moving from Chiang Mai - one of the most well known touristic destinations in Thailand, to Ubon Ratchathani- one of the emerging touristic destinations, Nara was enthusiastic to help in developing Ubon Ratchathani to become as famous as Chiang Mai. For this reason, she decided to pursue a second master's degree in tourism. Fortunately, the opportunity presented itself when the Dutch Government (NUFFIC) offered scholarships for international students from many developing countries and Nara won a scholarship to do a master's degree in international leisure and tourism studies in Leeuwarden – the Netherlands. A year later, with the useful suggestion of Dr. Luuk Knippenberg, she went to Tilburg University to apply for doctoral study, sponsored by the Royal Thai Government. Currently, Nara is a lecturer in a Department of Hospitality, in the Faculty of Management Science, Ubon Ratchathani University where she can devote herself to develop more sustainable tourism in Ubon Ratchathani.

